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U.S.–EC RELATIONS: PROTECTING THE WORLD'S OPEN TRADING SYSTEM

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REPORT

OF THE

TWENTY-SIXTH MEETING OF MEMBERS OF CONGRESS AND OF THE EUROPEAN PARLIAMENT

JANUARY 6–9, 1986

PURSUANT TO

H. Res. 981

AUTHORIZING THE COMMITTEE ON FOREIGN AFFAIRS TO CONDUCT THOROUGH STUDIES AND INVESTIGATIONS OF ALL MATTERS COMING WITHIN THE JURISDICTION OF THE COMMITTEE

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FOREWORD

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC, April 1986.

This report has been submitted to the Committee on Foreign Affairs by the chairman of the U.S. congressional delegation that participated in the 26th interparliamentary exchange with an official delegation of the European Parliament, January 6–9, 1986, in Dublin, Ireland.

This report contains a summary of the procedures of the meetings. The findings and statements herein included are those of the participants and do not necessarily reflect the views of the membership of the Committee on Foreign Affairs.

DANTE B. FASCELL,
Chairman.

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LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC, April 1986.

Hon. DANTE B. FASCELL,
Chairman, Committee on Foreign Affairs,
Washington, DC.

DEAR MR. CHAIRMAN: I am submitting for consideration by the Committee on Foreign Affairs a report on the meeting held in Dublin, Ireland, January 6–9, 1986, between members of the Committee on Foreign Affairs and other Members of the House of Representatives an an official delegation of the European Parliament.

This report contains a summary of the discussions as well as papers prepared by members of the U.S. congressional delegation.

The cochairman of the U.S. congressional delegation, Hon. Benjamin A. Gilman, joins me in the submission of the report.

It is our hope that the report will be useful to the committee in its consideration of issues affecting U.S. relations with Europe.

TOM LANTOS,
Chairman, U.S. Congressional Delegation.

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INTRODUCTION: TWENTY-SIXTH MEETING OF DELEGATIONS FROM THE U.S. CONGRESS AND THE EUROPEAN PARLIAMENT, DUBLIN, IRELAND, JANUARY 6–9, 1986

The 26th meeting of the delegations from the U.S. Congress and the European Parliament occurred in Dublin, Ireland from January 6–9, 1986. The chairman of the U.S. delegation was Representative Tom Lantos of California; Representative Benjamin A. Gilman of New York served as co-chairman. Mr. Pieter Dankert of the Netherlands served as chairman of the delegation from the European Parliament. Messrs. Vincenzo Giummarra and Sergio Segre of Italy served as co-chairmen of the European delegation. Mr. Segre did so in the absence of Mr. Rene-Emil Piquet of France.

The discussions in the Dublin meeting took place against a backdrop of international terrorism, in particular, the terrorist attacks at the Rome and Vienna airports. The two delegations examined U.S.-EC differences over the application of sanctions as well as potential areas for cooperation. Ongoing trade disputes dominated other parts of the meeting. The accession of Portugal and Spain to the European Community are producing changes in EC policy which will affect agricultural imports from the U.S. Yet both delegations showed an appreciation of the importance of solving these disputes and of supporting a new round of trade talks to correct major problems in the world trade system. There was also widespread agreement on the need for coordination of monetary and fiscal policies to promote economic recovery. This meeting, as its predecessors, was marked by an openness and friendliness, enabling a full exchange of information, helping members on both sides to develop effective legislation. Besides the previously mentioned issues, the two delegations discussed arms control questions, the Middle East, southern Africa, cooperation in fighting narcotics and drug trafficking, and visa reciprocity.

After the meetings with the European Parliament delegation, the U.S. delegation held meetings with Irish officials to discuss bilateral relations and the future of the recently signed Anglo-Irish Agreement. It then journeyed to Berlin for meetings with the East German government officials in East Berlin and with the Governing Mayor of West Berlin and U.S. officials in that sector of the city. Summaries of these meetings, which were prepared immediately afterwards, are published in Appendix IV attached to this report.

TOM LANTOS,
Chairman, U.S. Congressional Delegation.

PARTICIPANTS

European Parliament Delegation

Mr. Pieter Dankert, chairman, Socialist, The Netherlands
Mr. Vincenzo Giummarra, 1st vice-chairman, Group of the European People's Party, Italy
Mr. Sergio Segre, 2nd vice-chairman, Communist, Italy
Mr. Henrich Aigner, Group of the European People's Party, Federal Republic of Germany
Lord Bethell, European Democrat, United Kingdom
Mr. Erik Blumenfeld, Group of the European People's Party, Federal Republic of Germany
Sir Fred Catherwood, European Democrat, United Kingdom
Mr. Mark Clinton, Group of the European People's Party, Republic of Ireland
Mr. Mario Di Bartolomei, Liberal, Italy
Mr. Fritz Gautier, Socialist, Federal Republic of Germany
Mr. Ernest Glinne, Socialist, Belgium
Mr. Benedikt Harlin, Rainbow Group, Federal Republic of Germany
Mrs. Magdalene Hoff, Socialist, Federal Republic of Germany
Mr. Leonidas Lagakos, Socialist, Greece
Mr. Ray MacSharry, Group of the European Democratic Alliance, Republic of Ireland
Mr. Jean Penders, Group of the European People's Party, The Netherlands
Mr. Georgio Rossetti, Communist, Italy
Mrs. Christiane Scrivener, Liberal, France
Mr. Ioannis Tzounis, Group of the European People's Party, Greece
Mr. Michael Welsh, European Democrat, United Kingdom
Mr. Mario Zagari, Socialist, Italy
Also participating:
Dame Shelagh Roberts, chairman, Committee on External Relations, United Kingdom
Sir Jack Stewart-Clark, Rapporteur of the Committee of Inquiry into the Drugs Problem in the EEC Member States, United Kingdom
Mr. James Glyn Ford, Socialist, United Kingdom

U.S. Congressional Delegation

Hon. Tom Lantos, chairman, Democrat, California
Hon. Benjamin A. Gilman, co-chairman, Republican, New York
Hon. Bill Frenzel, Republican, Minnesota
Hon. John F. Seiberling, Democrat, Ohio
Hon. Don Bonker, Democrat, Washington
Hon. Guy Vander Jagt, Republican, Michigan
Hon. E. Thomas Coleman, Republican, Missouri
Hon. Doug Bereuter, Republican, Missouri
Hon. William F. Clinger, Republican, Pennsylvania
Hon. William M. Thomas, Republican, California
Hon. Bill Richardson, Democrat, New Mexico
Hon. Esteban Torres, Democrat, California

I. U.S.-EC RELATIONS: INTRODUCTION

The Prime Minister of Ireland, Dr. Garret FitzGerald, welcomed the U.S. and European delegations. In his brief remarks, he chose to emphasize the importance of trade to both the United States and the European Community. In this regard, he noted that conflict has arisen in the trade area and the resolution of this problem would require mutual understanding by both the United States and Europe. In this process of increased understanding, Mr. FitzGerald pointed out that Europe might be the more difficult party to understand because of its greater diversity. Because of this, the European Parliament appeared well suited as an emerging political institution in Europe to help in this process.

Mr. FitzGerald also emphasized the importance of the recent Anglo-Irish Agreement on Northern Ireland. With strong interest in both the U.S. Congress and the European Parliament in this issue, he felt that there would be considerable support for this new agreement in both of these bodies. While the Agreement should not be expected to bring any overnight changes in the political situation in Northern Ireland, the Prime Minister stated that it offered a path to a political solution in the future.

Representative Tom Lantos, chairman of the U.S. delegation, responded that Congress will do the utmost to facilitate the success of the new agreement. He noted that Congress fully supports a peaceful settlement of the issues in Northern Ireland.

Mr. Pieter Dankert, chairman of the European delegation, then opened the delegation's discussion with a review of U.S.-EC relations. His remarks focused on the just finished U.S.-Soviet Summit and its potential effect on trilateral relations among the United States, the Soviet Union and the European Community. While he noted that Geneva might have been somewhat useful in easing tensions between the Soviet Union and the United States, he also stated that he felt it has fallen short in the area of substantive results. Indeed, Mr. Dankert pointed out that it may in fact have irritated the military relationship between the two countries because of the United States' inflexible position on SDI. By refusing to acceed to Soviet requests to halt SDI, Mr. Dankert felt, the United States was forcing the Soviet Union to pursue a more aggressive and vigorous offensive and defensive weapons policy.

From the European perspective, Mr. Dankert emphasized, the world economic situation was of great concern. He identified four issues of special concern: 1) the U.S. budget deficit; 2) the overvalued dollar; 3) the international debt crisis; and 4) a possible oil shock by Spring 1986. He applauded the Group of Five action on the dollar in September, 1985 and added that Europe faced a challenge in promoting its own economic growth. At the present time, the unemployment situation in Europe is a critical problem demanding immediate attention. According to Mr. Dankert, there is a "North/South" gap developing within the Community and this presents many difficult economic development problems for its future.

II. TRADE, THE GATT AND INTERNATIONAL EXCHANGE

Representative Don Bonker's presentation began a lively discussion of economic and trade questions. Representative Bonker stated that the trade situation in the United States is deteriorating rather than improving at the present time. He cited three specific reasons for this: (1) the United States is losing its competitive edge; (2) not everyone is playing by the same rules; and (3) capital flows are at dangerous levels. As a result, trade is now a priority issue for both the U.S. Congress and the Executive branch. Because of this the United States recently created a "strike force" to go after areas of unfair trade, and set up a trade "war chest" to deal aggressively with this problem through the use of mixed credits which, Representative Bonker noted, the U.S. hoped eventually to eliminate.

Representative Bonker pointed out that the Administration in the United States had finally recognized that trade was a serious problem and was committed to trying to resolve it. He also stated that Congress was being misrepresented in its trade intentions. While protectionist pressures were considerable, with the exception of the textile trade bill, Congress has been reluctant to push protectionist trade legislation. Instead Congress has put more emphasis on improving existing mechanisms to deal with unfair trade practices. Finally, Representative Bonker pointed out that there is a strong bipartisan feeling in Congress that something has to be done about this problem very soon.[1]

Sir Fred Catherwood responded very favorably to recent Administration proposals in the economic field, the Group of Five meeting and Secretary of Treasury James Baker's recent proposal on international indebtedness. He also noted that now that the value of the dollar had indeed dropped, perhaps protectionist pressure on the Congress might recede somewhat. He attributed this drop in the dollar's value to the effect of the Baker plan and U.S. economic policies at home. Sir Fred expressed the hope that when exchange rates did finally stabilize, Europe and the United States could work together on exchange rate questions to help avoid any destabilizing exchange rate movement in the future.

He added that Europe does in fact accept the challenge put forward by the United States and was willing to remove or reduce protectionist barriers "wherever possible". He concluded that the biggest problem at the moment remains the sizeable U.S. deficit and its attendant effect on world capital flows. For Europe, the challenge is to promote the European monetary system.[2]

Representative Esteban Torres expressed his agreement that exchange rates and the value of the dollar, when combined with the ongoing debt crisis in the developing world, was a very pressing

[1] Representative Bonker's paper appears at the end of this section.
[2] Sir Fred Catherwood's paper appears at the end of this section.

problem for the world economy. He emphasized the relationship between the two issues and pointed out that as long as the dollar remained strong, protectionist tendencies in the United States would persist, thus making it difficult for the developing countries to sustain their export markets in the United States. Representative Torres strongly emphasized the continuing threat that the debt crisis poses for the world economy, and expressed his encouragement about the Baker plan recently put forward in Seoul.[3]

The general consensus between the two delegations on monetary issues did not last when the discussion turned to trade and a new round of talks on the GATT (General Agreement on Trade and Tariffs). Mr. Fritz Gautier referred to a number of specific examples of what he believed were unfair trade practices by the United States, including U.S. treatment of the citrus dispute with the EC, and U.S. policy on Vitamin B-12, the Multi-Fiber Agreement, and Unitary Taxation. He did see some positive benefit in the fact that at least now both sides were talking about the same problems in the preparations for the next GATT round. He cautioned, however, that some of the economic issues in Europe, as in the United States, had their roots in political problems as opposed to strictly economic ones. Therefore he was not optimistic that they could all be resolved to the United States' satisfaction. He also challenged the United States to include its agricultural subsidies programs in the agenda of the new GATT round, as the EC had done by including the CAP (Common Agricultural Policy).

Responding for the U.S. delegation, Representative Bill Frenzel explained the absence of Representative Sam Gibbons and submitted his prepared remarks for the record.[4] He then turned to his own thoughts on the GATT and observed that there is a strong lack of confidence in Congress in GATT. Most members do not view it as a viable means of dealing with trade problems and are more interested in bilateral trade talks. The President, therefore, is being forced to be more aggressive on trade issues, and Congress has very strong protectionist tendencies at the present time. What is needed, Representative Frenzel remarked, is an economic summit meeting of sorts where these questions are dealt with at the very highest levels.

Mr. Mark Clinton of the European delegation addressed the agricultural difficulties of the European Community and reviewed the trade problems in the agriculture area which exist between the United States and Europe. He noted that Europe was making a considerable effort to put its own agricultural house in order, recognizing the drain the CAP placed on the EC's budget. However, he agreed with his colleagues that certain political realities would make other changes extremely difficult.[5]

Representative Doug Bereuter responded by offering insights into the present farm crisis in the United States, highlighting numerous statistics which clearly illustrated its severity. Representative Bereuter placed part of the blame for the U.S. farm problem on the agricultural trade policies and subsidies of the European Communi-

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[3] Representative Torres's paper appears at the end of this section.
[4] Representative Gibbons' paper appears at the end of this section.
[5] Mr. Clinton's paper appears at the end of this section.

ty. He pointed out numerous telling statistics on the unrestrained growth of the European Community's agricultural section and concluded that reform of the CAP is urgently needed. If reform is not forthcoming, the United States would be forced to deal with effects of this program through reciprocal measures, such as the strengthening of its own subsidy program. If this happens, the only true winners would be the Soviets and East Europeans who will be able to buy U.S. goods at cut-rate prices.[6]

This first set of remarks on agriculture set off a series of observations by delegates from both sides on how harmful U.S. and EC agricultural policies had been. Mr. Clinton expressed dismay about a U.S. suit in the GATT against EC subsidies for the export of wheat. Messrs. Erik Blumenfeld and Michael Welsh accused the United States of violating the 1974 Casey-Soames agreement in which they said the U.S. supposedly had committed itself not to criticize EC Mediterranean agreements in the context of Article XXIV of the GATT. This alleged violation stood at the center of the U.S.-EC dispute over U.S. citrus imports. Yet the European delegation was visibly divided over this issue, since Dame Shelagh Roberts, the chairman of the European Parliament's Committee on External Economic Relations, said she opposed reference to this agreement in a European Parliament resolution on protectionism passed on December 13, 1985.[7]

In reply to these European concerns, the U.S. delegation raised some of their own. Representative Bereuter questioned the impact of Spanish and Portuguese accession to the EC on farm exports to the EC. He expressed strong concern about the impact of an announced Community policy that would ban U.S. meat imports because animals were fed hormones, when those hormones could not be detected in the product that was shipped. This policy, along with an EC directive against U.S. meats because of a failure of U.S. meatpackers to conform to EC standards, were examples of nontariff barriers used by the EC to limit U.S. imports in its marketplace.

In another assessment of U.S.-EC trade relations, Representative Bill Thomas noted that EC countries which recently had been importers had become major exporters. Representative Thomas referred to a U.S.-EP exchange five years ago, when he warned that the U.S. would have to adopt the EC definition of a subsidy if the EC did not clarify its own definition, which it has failed to do. The farm bill passed by Congress in 1985 basically did so, although it would not add to a healthy trade climate.

Representative Thomas stated U.S. concerns about EC control of the CAP, and to what degree the EC will be willing to negotiate on CAP mechanisms in a new trade round. Newer Members of Congress, he said, have difficulty understanding multilateral trade relations. They instead prefer bilateral trade arrangements such as the U.S.-Israel Free Trade Zone, the U.S. Canadian discussions now underway, and the bilateral course the U.S. most likely will turn to in the Pacific Basin. Bilateral relations would also be favored by a Bush or Kemp Administration. Representative Thomas warned

[6] Representative Bereuter's paper appears at the end of this section.
[7] See appendix I for the full text of this resolution.

that multilateral relationships are threatened because of what is transpiring in the GATT, and he advised his European colleagues not to repeat U.S. mistakes as they likewise try to go from subsidies to limitations.

Mr. Michael Welsh responded that the U.S. should not underestimate CAP reforms taken over the last two years. It is not possible to achieve results from reforming the CAP policy after only six months. Progress would be slow in coming. He also stated that the EC does have spending limitations which are similar to the goals of Gramm-Rudman. There is a delay in implementing certain of these measures which require compensation to farmers. The EC has a great deal of learning to be done in its budget policy, which will demand time.

To a question from Mr. Gautier, Reprsentative Tom Coleman responded that the agricultural bill does have a market loan concept although Secretary of Agriculture Block has indicated that he will not use it. U.S. policy is to modernize production and the new farm bill would take some land—40 million acres—out of production, hopefully in order to bring down output. He also said the farm bill would be reconsidered again in 1986–87 because of the impact of Gramm-Rudman budget reductions and the continuing crisis in U.S. agriculture.

In his final survey of the discussions, Mr. Clinton expressed his concern that the United States and the European Community are no closer to a solution of trade problems than we had been in earlier years. He quoted Senator Jesse Helms as saying that subsidies still result in agricultural surpluses in the U.S. The EC is endeavoring to reduce its subsidies but it must support 8 million farmers whereas the U.S. must only support 2 million. He illustrated U.S.-EC differences by pointing out that the EC reduced milk production by 4 million tons last year while the U.S. share of the world market increased. U.S. share of the world market increased up to 1981–82; faced with losses, the U.S. now wants to return to the conditions of those peak years. Forty per cent of cultivated land in the U.S. is planted for export, the EC only plants 19 per cent. In 1982–84, the U.S. sold 21 per cent of agricultural exports to the EC, most of which entered without import charges. Mr. Clinton asked what more can the EC do when both sides of the Atlantic are all faced with an explosion in production.

Representative Bereuter responded to Mr. Clinton's concerns by clarifying that what Senator Helms said was the U.S. cannot limit production under the present system. The U.S. is raising more food than is needed. The problem is not supply but distribution to markets and needy countries. Representative Bereuter noted it might be worthwhile for the U.S. and EC to examine mandatory production controls.

After agriculture, the delegations turned to a discussion of the Multi-Fiber Agreement (MFA) which Mr. Welsh opened. In Mr. Welsh's view, the MFA is the "granddaddy of protectionism". It was initiated in 1958 by the British to help their cotton industry as a short-term arrangement. Negotiation of a fourth agreement is now approaching, he said, which shows that it was hardly a temporary solution. Mr. Welsh found a number of serious shortcomings in the MFA. It has not preserved jobs, as its supporters claimed it

would, and the jobs it has protected are often poorly paid and without social benefits. From the consumer's perspective, the MFA has caused higher prices. Mr. Welsh charged that industries have become dependent on the MFA and have failed to restructure themselves because of its protection. Finally, the MFA has hindered the ability of developing countries to reach their own productive potential.

Mr. Welsh noted that some EC members oppose liberalization of the MFA, but, nonetheless, the system should be liberalized. In that context, Mr. Welsh applauded, as a "miracle" President Reagan's veto of the textile bill passed by the Congress.

Representative Frenzel responded to Mr. Welsh's concern and agreed that the MFA was quintessential protectionism. He pointed out that the textile lobby attempted to move the U.S. to a tougher position on renegotiation of the MFA. While the textile bill had the support of 60 per cent of the House, it was intended more to send a message to the President that Congress is in a protectionist mood and also to remind the President that although he may influence the policy he cannot control it. Representative Frenzel did feel confident that the MFA would be completed in the next round of negotiations.

The final trade issue discussed was steel. Representative Bill Clinger said that steel is perhaps the most central and confrontational issue in U.S.-EC trade relations. This dispute has been exacerbated by the December 30, 1985 decision by the U.S. to limit imports on semi-finished steel to 400,000 tons. Both the U.S. and EC have an overcapacity of steel production and it is unlikely that either can cut this overcapacity to a significant degree. The U.S. has consulted with the Europeans until "its was blue in the face" with no tangible results, and thus the December 30 decision was a necessary step. Although in 1983 the U.S. invoked the 1974 Trade Act to limit steel imports, the EC has made no similar effort. United States policy is to give industry a respite to provide time for modernization and structural adjustment. The prospects for U.S. steel in 1986–87 are not encouraging.[8]

Mrs. Magadelene Hoff, responding for the European delegation, remarked that voluntary agreements did not lead to a drop of imports in the U.S., but EC producers also gained assurances of exports into the U.S. for the next four years. The U.S. steel decision was a unilateral one and the EC has had to accept it. Mrs. Hoff said both sides should seek to agree on restraining measures to agree to make restructure binding on both sides while the agreement is in force. This would be done by linking voluntary restraints to restructuring and modernization. An increase in production on either side would only harm both the U.S. and EC.

Representative Clinger responded that it is premature to determine the success of voluntary restraint agreements. However, significant modernization and construction is going on now, which would move the industry in the right direction.

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[8] Representative Clinger's paper appears at the end of this section.

PAPER BY REPRESENTATIVE DON BONKER

INTERNATIONAL TRADE: NEW RULES FOR A NEW ERA

For much of the post-world war era, questions of collective security and foreign policy dominated European-American relations. Economics was not ignored. From the Marshall Plan to the Tokyo Round of trade negotiations, economic questions have always been important. A new order for world finance and trade were very much part of a scheme for global growth, as well as elements in a more stable world that would avoid the economic and political turbulance of the Great Depression. But, at least for America, economic relations were not a central concern.

There was a time when America's relative economic strength led Europeans to say that "when American sneezed, Europe caught cold." While Europe and the rest of the world had to be concerned about what happened in Washington or Detroit, or Chicago, America was free to concentrate on strengthening the Alliance and meeting the challenge of the developing world.

All that has changed. The American economy can be seriously affected by decisions made in Europe, Tokyo, or Riyadh. A large part of foreign policy is now foreign economic policy. And it is not just a question of individual trade frictions over citrus or pasta but more fundamental questions that encompass the rules for international trade, exchange rates, and coordinated macro-economic policies.

THE NEW INTEREST IN INTERNATIONAL TRADE

Trade and trade legislation are front page news in the United States. What was once an arcane subject is now treated as the touchstone of America's economic health; a matter so urgent that some analysts think that it might tip the scales in favor of one party or the other for the rest of this century.

The emergence of international trade as a major question can be read in the economic statistics of the day and the forecasts of the future. The trade deficit itself has grown from $69 billion in 1983, to $123 billion in 1984 and to an estimated $140 billion in 1985. It is unlikely the figure will improve in 1986. As trade deficits have mounted, the U.S. position as the world's largest creditor has steadily eroded. Sometime in 1986, the U.S. will become the world's largest debtor—an external debt that could reach one trillion dollars by the end of the decade.

The slowing recovery has also focused attention on the trade statistics. As American budget deficits became the engine for world recovery, they had less steam left for the American economy. The problem has been particularly acute in manufacturing employment. While manufacturing output has recovered, manufacturing regained only two-thirds of the jobs lost in the last recession.

REGIONAL REALITIES AND THE GLOBAL SYSTEM

When trade was largely a Trans-Atlantic affair, global trade problems usually boiled down to North American-European problems. Forty years of post war growth have created a truly global system with substantial regional variations.

Canada: In many ways, the United States and Canada have grown along parallel tracks. Both countries combine extensive agricultural production with a diversified industrial base. The United States is Canada's largest market and Canada is America's largest trading partner. Investment, goods, and ideas flow easily from one country to the other. In several instances, the same labor organization represents workers on both sides of the border.

Despite these broad economic ties, a number of disputes have sprung up to complicate the recent move toward a free trade zone. Canada is concerned about the future impact of U.S. trade laws. U.S. concern has focused on such broad questions as investment, as well as specific problems in the area of imported lumber, hogs, steel, and potatoes among others.

Asia: Much of East Asia has already become an economic power house. Japan is the free world's second largest economy. Korea, Taiwan, Hong Kong and others have become increasingly sophisticated competitors in world markets. China has made major adjustments in its economy be become more internationally competitive. India appears to be moving down a similar path.

It is a market filled with economic promise and fraught with a wide range of trade related problems. The sharp increased in exports of traditional manufactured goods has put severe pressures on a number of industries in the United States and elsewhere. New industries are often developed behind protective barrier—at the expense of industries in the industrial countries. In some cases, intellectual property is

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given virtually no protection at all. Close cooperation of business and government has created a new competitive reality for more strictly market oriented economies.

Africa has suffered through five years of drought, falling commodity prices and a world wide slowing of economic growth. Although they have not garnered many headlines, several African countries are also burdened by a high level of external debt. It is a continent of enormous economic potential that is frequently obscured by its current economic problems.

Latin America: Latin America had a decade of rapid growth followed by five years of stagnation. For some of the largest economies, stagnation gave way to the most serious economic decline since the Great Depression. A combination of recession in the industrial world coupled with an enormous external debt has complicated economic life for most of the region.

As a result, U.S. exports to Latin America have dropped precipitously while imports from the region have jumped sharply. In many cases, Latin American exports to the United States and elsewhere compound the pressures on already troubled industries such as textiles, shoes, and steel.

Europe: There has been much talk about the shift in trade from the United States and Europe to East Asia and the developing world. That welcome growth in trade should not obscure the extent and diversity of U.S.-Common Market economic relations. It was, after all, the United States and Europe that served as the principal architects of the post World War II international economic system. The political costs of the Great Depression and the war that followed pushed both Europe and the United States to work for stable, growing, open markets.

Despite the shared history and strong economic ties, there have been a number of regional tensions that threaten to cloud the economic future. Tensions over agricultural trade, adjustments in the steel industry, access to high technology markets, and the growing use of mixed credits are among the issues that are currently on the table.

We are all challenged by a global system with substantial regional complexity. Both the system and the regional problems have become part of the trade debate.

THE CONGRESSIONAL DEBATE

For much of 1985, international trade was the major feature of the Congressional agenda. Even the debate over new ways to reduce the fiscal deficit was, in part, viewed as a necessary step to bring exchange rates and thus trade flows into better balance.

Hundreds of individual pieces of legislation were put forward to deal with one aspect or another of international trade. The proposals ranged from minor changes in existing trade law into major changes in international economic policy. Some bills were designed to restrict access to the domestic market, while others were designed to broaden access to overseas markets.

The trade debate is no longer over an isolated quota or the level of a particular tariff. It is no longer limited to even such broad questions as the economic health of a major industry. It is becoming a debate over the economic future of America and how that future America will face a highly competitive, global economy.

NEW TRADE INITIATIVES

As the debate over trade sharpened, a number of Representatives and Senators came together to promote an omnibus approach to trade and related international economic problems. A striking feature of the several major proposals is their degree of commonality.

The first broad group to be established was the House Democratic Trade Task Force, which I have the honor to chair. Mr. Gibbons serves as Vice Chair of the Task Force and provided much of the vision and spirit that influenced its report.

The recommendations of the Task Force stressed adjusting macro-economic policies and bringing exchange rates into better alignment as part of the approach to a new round of trade negotiations. The report suggests a series of steps to encourage U.S. exports while also including a number of proposals for countering unfair trade practices. In addition, the Task Force report included several recommendations to ease the pain and more effectively share the burden of adjusting to a global economy.

The Trade Partnership Act of 1985, a bill introduced by the House Republican Leader, Mr. Michael and a number of his collegues, covers much of the same general ground. The Michael proposal calls for a monetary conference and a trade summit, as well as authority for a new round of trade negotiations. The bill includes

provisions for export promotion, tougher enforcement of U.S. trade laws and trade adjustment assistance.

Senators Danforth and Moynihan took the lead in the Senate by forging a bi-partisan group that introduced the Trade Enhancement Act of 1985. The Senate proposal also requires an international monetary conference as well as new trade negotiating authority. It includes specific provisions on currency intervention, unfair trade practices and trade adjustment assistance. Omnibus proposals offered by Senators Hart and Bentsen were broadly consistent with this bipartisan approach.

In both Houses and in both parties, there was movement toward a consensus proposal that would include a new round of trade negotiations, serious efforts to realign exchange rates, a tightening of U.S. unfair trade laws, efforts to increase U.S. exports, and new initintives to ease adjustment to global eccnomic competition.

FUTURE U.S. INTERNATIONAL ECONOMIC POLICY

In 1986 the U.S. may well set its international economic course for the rest of the twentieth century. The focus of the Congressional debate will be on trade but the proposed remedies and their implications will be much more far reaching.

Reciprocity: In considering authority for a new round of multilateral trade negotiations, many in Congress will emphasize the need for new rules that are effectively applied. There is a growing dissatisfaction with dispute settlement mechanisms that are slow and ponderous at best. The concern about dispute settlement has grown into a suspicion that the current trading rules may not be suited to the changing structure of international economic competition.

Reciprocity is a term that has been applied to widely different concepts. In some cases, the term has been used to require bilateral trade balances among all trading partners. In others, it has referred to equal access to specific markets or some looser standard such as national treatment.

In my own view, the Congress will be looking for a reciprocal system in which the benefits *and* burdens of international competition are equitably shared. Where major industries are being restructured, the costs of adjusting to new competitive conditions will have to be fairly distributed among the major industrial powers. Where new industries are emerging, the major industrial countries cannot expect to keep their markets closed and still secure unlimited access to the markets of their competitors.

In the broadest sense, reciprocity may force much greater cooperation among the major trading powers in setting domestic and international policies.

New Paths to Open Trade: In my view, the U.S. will continue to help build an open international trading system. But it will do so with a much more varied range of tools than it used in the past.

Over the last ten years, the U.S. has already taken several steps to increase trade through bilateral or plurilateral arrangements. Although both the Caribbean Basin Initiative and the free trade zone with Israel have geo-political implications, they have also created new opportunities for international trade. The Administration has already taken the first step in negotiating a free trade agreement with Canada.

Trade As Part of a Broader Policy: In reassessing U.S. international economic policy, the Congress will no longer look at trade policy in isolation. Instead, trade policy will be linked to international monetary reform, macro-economic policies, a long-term growth strategy for the United States, and the question of equitable international burden-sharing.

In hearing after Congressional hearing, the size of the trade deficit has been tied to the strength of dollar. Much of the same expert testimony has linked the trade deficit to the record fiscal deficits of the U.S. Government. In approaching a new round of trade negotiations, the Congress is likely to push for a shift in underlying economic policy as well as systemic reform that will help keep macro-economic policies and exchange rates in better balance.

Trade has also become enmeshed in the debate over sharing the burdens of the international system. Although discussions of burden-sharing usually focus on the large share of the U.S. GNP devoted to defense spending, the costs of international economic leadership have intermittently come to the fore. The role of the dollar as the major reserve currency has added strength to the American economy, but it has also limited the ability of the U.S. to respond to some internatioinal economic pressures. The maintenance of an open market and open procedures has frequently forced American industry to bear a large share of the cost of adjusting to changed competitive conditions.

America's economic strength has always been a large part of its ability to provide international economic and political leadership. America's technological edge and

broad based economy have not only generated resources for an international security role but also helped maintain domestic support for such a large international role. If current policies and practices undermine that strength, it may, in the end, force significant changes in the major international economic institutions.

For more and more Americans, international trade has become a measure of America's economic future. If we can compete effectively in new product areas, if we can succeed in renewing and diversifying our industrial base, America will look to a future of growing prosperity and expanding opportunities. If we fail to meet the test of international competition, our ability to lead today and our economic well-being will both be in doubt.

Future Congressional action will be heavily influenced by how well the country does economically. In a country still famous for its concentration on the bottom line, the Congress will be paying close attention to the size of the trade deficit, the strength of the dollar and the growth of our external debt. The pressures to close markets were stronger in 1985 than at any time since I was elected to the Congress. But the pressures are not without historical precedent. In 1929, Senator Smoot and Congressman Hawley turned away from open markets and helped plunge the world into the Great Depression.

There is another path. An improved trade performance and expanding international economic cooperation could lay the basis for a stronger trading system. It is my own hope that the U.S. will take a major step toward domestic and international cooperation. At home, a new pragmatism could stimulate greater cooperation among management, labor and various levels of government to make the most of our competitive strength. Overseas, international cooperation to set rules and economic policies could help create the economic and political conditions for sustained long-term growth.

Looking back from the year 2000, I believe that 1986 will be viewed as a major turning point in U.S. economy policy. There is still a danger that the country will turn away from the international economy to the seemingly safer havens of protected markets. In any case, America will not be content with going down the familiar path of tariff negotiations and flexible exchange rates. That new path toward a sustainable and more equitable international economic system and continued world growth will require statesmen-like leadership in both our continents. It will also require a health measure of good luck.

PAPER BY SIR FRED CATHERWOOD, MEP (UK, EDG)

International Monetary Issues

Since we spend a lot of time at these gatherings in complaints about each other's actions, I would like to start by saying that we, on the European side, are delighted by the moves which have been taken, no doubt with pressure from Congress, to deal with your trade deficit by reducing the value of the dollar to a more competitive level and to reduce interest rates by a programme for the reduction of the budget deficit.

Not only that, the speeches of Treasury Secretary Baker are very much in line with the advice we have been offering you for the last two years. We welcome the Baker Plan, which is very much in line with our own thinking. We are delighted to hear again the emphasis on an interdependent world economy and that economic isolationism is doomed to failure. We also admire the very persuasive way in which, in the same speech at the IMF annual meeting, he encouraged the IMF and the World Bank to coordinate their policies to provide mutually consistent advice. We couldn't have put it better ourselves—and if that prevents one institution from saying grow while the other says retrench, that will be a big step forward. Finally we hope that the commercial banks take his advice and follow the World Bank and the multilateral development banks to begin lending again to those developing countries which have some prospect of growth.

All this has produced a new optimism and the OECD report at the end of last month said that a new mood of international cooperation between major industrial nations has significantly helped prospects of sustained world recovery. For the major change in American policy, many thanks. We feel that these meetings can go on to erect the building blocks on a firm foundation of fundamental agreement.

The most immediate result of the initiative taken at the Group of Five in New York is that the dollar has now fallen by about 20% against the EMS currencies and we very much hope that this increase by 20% in the competitive position of American exports of manufactures and farm products remove the pressure of pro-

tectionism from which you have been suffering. We are glad that there have been no protectionists measures which would have destroyed the new GATT round and we hope that the reduction of a further 10% in the dollar, which Clayton Yeutter thinks necessary, will finally remove protectionism altogether and enable America to compete again on even terms.

Secondly, we hope that when the dollar does reach a competitive level, we can build again the international monetary cooperation which has served us so well in the past. The currency speculation of the last few years has been immensely damaging to business investment. Every investment decision has an exchange rate assumption and, until business can be confident that that assumption is 90% certain to be within a 10% range over the critical period, investment will not be made and all our inventive skill will not produce the goods which people need. We welcome the statement of Secretary Baker repeated in November by David Mulford that though it is too early to hold a conference, the U.S. is ready to host it as soon as the conditions are right.

There has already been talk in the Group of Ten of cooperation between the EMS, the Dollar and the Yen and, in particular, of agreement to keep exchange rates within predetermined bands. It has been pointed out that this depends on the willingness of the leading countries to allow external policies to affect their internal policies and we all know how difficult this is. Yet it is what we did before the last system broke up and now that we know the price of that breakup, there is all the more reason to make every effort to make the effort again.

Although the United States still has the most powerful economy, it has not been powerful enough to produce growth unaided and we note the pleas to Japan and Europe to get our economies moving again. We in Europe do have a programme for European economic recovery. The new Commission, which took office a year ago, adopted the Parliament's advice and has put economic recovery at the top of its priorities and has produced a programme for abolishing the major barriers to inter-community trade within the next two years and the remaining barriers by 1992. The heads of government agreed last month to alter the Treaty of Rome to enable the needed decisions to be taken by majority voting. We believe that removing all the barriers between willing buyers and willing sellers in a market of 320 million consumers is the best way to get the great flywheel of inter-community trade spinning again.

But the biggest internal problem of all is, as the December OECD report points out, your internal deficit. So long as you have to trawl the world for savings to find your deficit, so long will there be a pressure to pitch U.S. interest rates at a level which siphons off the savings which other countries need for investment and expansion and the continued competition in interest rates will make it exceptionally hard to keep currencies within agreed bands. We are, of course, glad that, after long and complex negotiations between the House and the Senate, which we do not pretend to understand, you have arrived at an agreed programme for the reduction of the deficit, but our feeling is that the policies no not match the programme and that the programme is too long. We hope that, at the right moment you will tighten it all up.

Finally we should say that the development of the EMS was put on the back burner while we dealt with the urgent problem of removing the barriers to internal trade. But the development of the EMS must be the next priority. Our Economic and Monetary Committee have asked its rapporteur to produce a tough and sharp report and I am sure that he will. We have had three major hurdles to overcome. The British could not commit sterling to an agreed ban of rates until sterling was at a competitive rate against the ECU. The rise in the pound against the dollar has allowed the Treasury to bring the pound down to nearly 3.50 DMarks, which is generally agreed to be a competitive rate, so that obstacle has been removed and it will be easier to support a competitive pound. But sterling really needs the support of a more developed EMS to hold the agreed rate and the Germans have to be sure that a further development of the EMS is not going to lessen the anti-inflationary discipline which they have so successfully maintained with the Deutschmark. We hope that these issues can be negotiated successfully in the coming year and that a stable EMS will make a major contribution to a stable system of exchange rates which can encourage low interest rates and high investment and growth and give us the expansion in world trade which we all want to reduce our unemployment and which the third world so desperately needs in order to live.

PAPER BY REPRESENTATIVE ESTEBAN TORRES

Debt and Exchange Rates

I am pleased to have this opportunity to present my views on two of the major issues of our time. While I will treat the problem of exchange rates and the overvalued dollar somewhat separately from the ongoing debt crisis in the developing countries, there are interrelationships between the two. Perhaps the most obvious link is that as long as the dollar remains so strong against the other major currencies, protectionist pressures within the U.S. will continue to increase making it that much harder to sustain the developing country export sales in the U.S. so critical to debt service.

The debt crisis, which first came to light in the summer of 1982 is still very much with us—and I believe represents the greatest threat to international stability both, economically and politically. I was therefore extremely encouraged when U.S. Secretary of the Treasury Baker put forward what I believe to be a constructive proposal in Seoul for dealing with the debt crisis. I am not necessarily convinced that the components of that plan are sufficiently ambitious to accomplish the plan's ambitious goal, however, I am reassured by the shift in U.S. policy towards the debt crisis that the U.S. proposal represents.

At the present time the debt burden of the developing countries is preventing them from undertaking the necessary investments in their economies to achieve reasonable economic growth. As we are all well aware at this point the debt crisis is pervasive, affecting both the debtor countries themselves and we in the industrial economies. The debtor developing nations have in the past three years been net *providers* of capital to the industrialized world, as debt repayment has regularly outstripped new lending. The facts are simple but dramatic: from 1978 to 1982, the developing countries benefitted from a positive cash flow of some $27 billion per year after interest payments; by contrast, from 1983 forward through 1987, the reported and projected *outflow* of capital from the developing world will have been $25 billion per year after interest payments. This anomalous situation has necessarily crimped their economic progress of the developing countries and led to the resentment now translating into threats of default and politically-inspired suggestions of debt repudiation.

It is clear that such net outflows of capital from the developing countries cannot be sustained and in the interest of stability and progress must change. The change that is needed is complex, but it is entirely attainable. In fact, the House Banking Committee subcommittee on which I serve has released a report, unanimously supported by Republicans and Democrats alike, which details our conclusions and recommendations on how to deal with international debt and rekindle long-term economic development and growth in the worldwide economy.

That subcommittee report was released shortly before the Seoul World Bank/IMF meeting. I was gratified that the new initiatives undertaken by Secretary Baker in Seoul are entirely consistent with the Subcommittee's recommendations. As I indicated earlier, however, it is my belief that the United States still must go farther than it has to date in this new direction of providing explicit support for economic growth and development in the debtor nations of the world.

Specifically, in keeping with the recommendations of my Subcommittee, the United States, and the other major donor countries, may have to show a greater willingness to commit real new resources to this effort. This will include stronger support for World Bank and other development bank replenishments and capital increases in the coming months. Otherwise, they are not likely to overcome the initial skepticism of many of the debtor countries themselves which are evident at the Seoul meeting.

Additionally, the commercial banks will almost certainly be required to lend more than the proposed $20 billion over the next three years. This increased lending will be necessary in order to provide adequate capital to both service interest payments and fuel stronger growth rates in the developing countries. Because further commercial bank exposure in the developing world is going to be a tough thing to sell to the banks we in government will have to work hard to develop the incentives necessary to catalyze greater commercial bank lending.

Of particular concern to me is the unique dilemma presented by Sub-Saharan Africa. We in the developed countries must give special attention to alleviating not only the human suffering brought about by hunger but also the debt crisis in Africa. The debt problems of Africa, mostly in the form of official rather than private bank debt, may be less imposing in terms of absolute dollars than that of Latin America but nevertheless are just as, if not more, debilitating. Again, I believe that a positive

step has been taken by the United States in proposing the establishment of new African Trust Fund to be financed through IMF reflows, the World Bank and other donor country bilateral aid programs. The Trust Fund would be jointly administered by the IMF and World Bank. While I share some of the doubts that have been raised regarding the specifics of this proposal I do feel that it is at a minimum a starting point.

Finally, I would like to point out one very positive development which occured in the United States just prior to Congressional adjournment for 1985. The Congress passed and the President signed into law a bill providing for a $225 million U.S. contribution to the Special Facility for Sub-Saharan Africa (the Special Facility is administered by IDA and will provide loans in support of economic, and particularly, agricultural policy reforms in Africa). In addition, a first year payment of $75 million has already been committed to the Facility by the U.S. We who cosponsored this proposal in the Congress are proud of this accomplishment and believe it represents a positive demonstration of U.S. resolve to work with others to do our part in the debt and development crisis.

Of course we cannot sensibly discuss the problem of international debt without addressing the complex and troublesome issue of exchange rates—particularly the value of the United States dollar.

As the Latin debtor nations reminded us all in their meetings in Uruguay in late December, the value of the dollar is fundamentally related to their debt problems. That is true in at least two ways. First, the high value accorded the dollar in international exchange markets is linked to prevailing high interest rates in the U.S. financial marketplace. Those high interest rates have direct consequences for the debtor nations. High interest rates mean high interest payments. It is apparent that even a one-percentage drop in interest rates in the U.S. would dramatically reduce the debt servicing charges for the major debtors.

Second, high U.S. interest rates are part of the very significant problem of capital flight from those nations. As Secretary Baker and others have emphasized, we must solve that problem of capital flight from indebted developing countries. If we do not, it is painfully obvious that we will be creating little more than a capital merry-go-round by infusing more private and public capital into those countries as contemplated by the Baker Seoul initiative.

As this audience well knows, the negative effects of the overhauled U.S. dollar are not confined to the developing world. The United States' budget deficits, its high interest rates and its overvalued dollar have real consequences for European economies—just as the difficulties European economies have had in generating economic growth, new jobs and increased trade have negative consequences for the U.S.

The fact is, as we all now know, that our economies have become increasingly interdependent in the post-World War II era. Perhaps the greatest common challenge we face is to act economically in a way that truly recognizes that fact. As difficult as it is to overcome the national pride and parochialism that often separates us, we must learn to coordinate our economic activities to a much greater extent if we are to achieve the maximum possible prosperity for all our citizens.

A good place to start is with the dollar. Another one of the recent achievements of Secretary Baker which should be applauded is the effort begun September 22 in New York to intervene in a coordinated fashion to gradually bring down the value of the U.S. dollar against other major currencies.

That effort, as you recall, was accompanied by a number of commitments by each of the participating nations, the so-called G-5 nations, to undertake economic actions in concert, to try to create more convergence among the economic policies of these major economic powers. That effort is sound in concept, and has had some preliminary success. But it is my view, and that of a significant number of my colleagues, that not enough has yet been done. More can and should be done to bring order to the exchange markets and to stabilize tahe dolla. at a lower, more sustainable level.

In that regard, let me simply report to you that there is strong interest in both houses of the United States Congress in taking action to further reduce the value of the dollar. In the Senate, provisions in the bipartisan trade bill introduced by Senators Dole, Moynihan and others, address this problem. On the House side, the House Banking Committee on which I serve unanimously passed a bill which would instruct the Secretary of the Treasur to take several actions to bring down the value of the dollar to a sustainable level.

The two most important actions mandated in the House bill are regular, institutionalised intervention in the exchange markets to affect the dollar's trading value, and negotiations with our trading partners leading to a new international conference to reform the monetary system. It is the view of the House Banking Committee

that we have now arrived at a time, forty years after Bretton Woods and over ten years after the end of fixed exchange rates, to seriously and collectively assess the international exchange system. We need more order and stability in that system, and we need exchange values that do not result in gross, sustained imbalances in the trading relationships among the major economic powers.

It is of course difficult to speculate about what Congressional action will eventually emerge. But I believe it is safe to predict that if the problem of the overvalued dollar is not soon solved in the marketplace, and if the United States continues to suffer large trade imbalances on the order of the nearly $150 billion shortfall we experienced in 1985, then action along these lines will be taken by the Congress.

Let me again emphasize our common interest in solving this problem which at first blush may appear to be solely a U.S. problem. It is my sincere hope that each of you, acting in each of your Parliaments, will work with us toward the goal of economic cooperation among nations. In some cases, such cooperation will require at least short-term sacrifices by each of us. The American people, for example, will be required to forego some of the consumption which has been made easier by the artificially inflated dollar of the last few years.

Absent that cooperation and that sacrifice, however, we simply cannot arrive at the common, long-term destination of orderly economic growth, vibrant trading system free of protectionism and a wealthier future for our people. To paraphrase a good European, no nations is an economic island. To quote a good American, we should all hang together, or we shall all hang separately. The message is the same, and the time to heed it is now. Thank you.

PAPER BY REPRESENTATIVE SAM GIBBONS

International Trade Agenda and the New GATT Round

I welcome this opportunity to share with you my personal views and perspectives as Chairman of the Subcommittee on Trade in the U.S. House of Representatives on current trade issues, in particular prospects for major U.S. trade legislation and a new Round of global trade negotiations.

The United States and the European Communities together account for over 40 percent of total world exports and over 45 percent of total world imports. Our bilateral trade totals over $100 billion. As the nations collectively with the highest stakes in world trade, we bear a heavy joint responsibility for our mutual prosperity and the global economy to resolve issues in our bilateral trade relations and to cooperate in the pursuit of a more effective international trading system.

There has been much concern in Europe and around the world about protectionist pressures in the United States and the risks that trade restrictions will undermine the progress made in the past 30 years to reduce barriers and create a freer world trading system. Protectionist pressures will remain strong until there is a turnaround in our record trade deficit. As in Europe, adjustment by basic industries and their workers to new technologies and new sources of foreign competition is a long, painful process that often seeks erroneously easy solution through import restrictions.

However, I believe the threat of protectionist legislation has received too much attention. As a Member of Congress, I take some pride in the fact that despite the very strong pressures, we have not enacted protectionist legislation during the last Congress or this year. The greatest threat, from the textile and apparel industry, was insufficient to muster the number of votes in the Congress recently that would be necessary to override an expected Presidential veto of import quota legislation.

In my view, the far greater, longer-term threat to our mutual economic welfare and to the global trading system is not pressure for import restrictions on particular products, but the growth of government intervention in most economies which distorts the competitive environment and produces inefficient use of budetary and economic resources. I am referring to the proliferation of various forms of subsidy practices which substitute for import competition in the domestic market and artificially increase exports at the expense of third country trade.

Aside from the overvalued dollar, the complaint I have heard most from my colleagues in Congress and from the private sector is the need to address foreign unfair trade practices—subsidies, dumping, violation of intellectual property rights, and the whole host of other measures which governments are adopting as tariff protection has declined and global competition increased. The demand for a "level playing field" on which business can compete on the basis of their product at a price set in the marketplace is the primary motivation for the spate of omnibus trade reform

bills introduced in Congress this year and the calls for retaliatory action by the President under our so-called section 301 law against individual foreign unfair trade practices.

A related major source of concern is that most Members of Congress have lost confidence in the General Agreement of Tariffs and Trade (GATT) as a viable international trade system. GATT rules do not cover many practices and sectors that are important in today's trading world. There is not an effective and expeditious mechanism to settle disputes over the rules that have been negotiated. The Congressional perception, shared by many in our business community, is that the GATT provides a forum for endless debate that impedes rather than facilitates solution of international trade issues. Our frustration with the multilateral process has led to a greater focus on bilateral freer trade relations and negotiating approaches to develop trading disciplines among smaller groups of like-minded countries.

Next year will be extremely important for the direction of international trade. I foresee development of broad trade legislation as a primary focus in the U.S. Congress to address the basic issues I have alluded to: (1) the need for greater linkage and coordination between international monetary and trade policies and institutions, particularly the role of exchange rates and the responsibilities of countries with persistent current account surpluses; (2) reform of U.S. trade laws to strengthen adjustment to import competition by domestic industries and responses to foreign unfair trade practices; and (3) authorities to achieve U.S. negotiating objectives for strengthening the international trading system. The legislation will be developed beginning early next year as generic amendments to U.S. trade laws, rather than responses to problems of specific industries.

I anticipate next year will also be a watershed for multilateral trade negotiations under the GATT. The recent establishment of a Preparatory Committee for the new Round is promising. The key question, however, is whether there will be the necessary political will among developed and developing countries to an agenda which represents a multilateral commitment to make the GATT a viable, effective system that reflects and governs present-day conditions of trade.

In my view, a new Round must give high priority to establishing confidence in a mechanism for timely and effective settlement of disputes concerning negotiated rules and principles. All countries should be willing to adhere to specific deadlines and to adopt panel reports, irrespective of whether they win or lose a particular case in the broader longer-term interest of a world of trade law. There is no point in negotiating agreements if there is not an effective mechanism for resolving differences of interpretation or violations. In my view, if the United States violates agreed international trade rules, we should also be willing to suffer the consequences and change such practices.

A second major priority in the new Round should be the strengthening and extension of rules on subsidies to impose as strict disciplines on agricultural as on industrial subsidies and to cover newer forms such as resource subsidies, subsidies "upstream", and industrial targeting. Unless we come to grips internationally with domestic and export subsidies, I foresee irresistible pressures in the United States to enter the endless wasteful cycle of matching subsidies with subsidies and retaliation.

Another high priority objective in a new Round should be requiring greater participation by the more advanced developing countries in the international system through reduced reliance on special, preferential treatment from developed countries and the assumption of greater obligations to liberalize market access and adhere to trade practice disciplines. Other very high negotiating priorities are development of multilateral rules and principles to govern the new major areas of trade and investment in services and protection of intellectual property rights, and to liberalize agricultural trade. Agreed government procurement principles and procedures should be extended to additional areas, such as telecommunications, in order to help resist temptation to Buy National restrictions.

The challenge of such a new Round agenda is enormous, but success is essential if we are to preserve and continue to prosper from a multilateral trading system. As the world's two largest trading entities, the European Communities and the United States must continue to work closely together to accomplish these and other negotiating objectives in our mutual and global interest.

PAPER BY MARK CLINTON, M.E.P.

AGRICULTURAL TRADE AND THE GATT

Since we are meeting in Dublin, which is my home ground, I have great pleasure in welcoming our American friends to Ireland. I hope your stay will not only be pleasant, but also instructive, because it is unfortunately true that relations between the United States and the Community have a number of jagged edges when we come to consider trade in general, and trade in agricultural products in particular.

While the value of Community exports to the United States increased since 1980, Community imports from the United States have shown little change. Nevertheless, we had an adverse trade balance of 4.5 bn ECU on our agricultural account in 1984, although this balance was down from 6.5 bn ECU in 1980.

Looking more closely at our agricultural imports from the United States, we see that imports of soya beans and oilcake and other residues, which totalled almost 16 m tonnes in 1982, had droped to about 9.4 m tonnes in 1984. The severe drought in 1983 affected US production and increased prices, so that the Community has tended to seek alternative sources of supply in Latin America. There was also the effect of milk quotas which caused farmers to reduce their use of concentrated feed. It is interesting to note that Community imports of corn gluten feed have shown a steady increase since 1980. Indeed, between 1983 and 1984, imports increased from about 3.4 m tonnes to 3.6 m tonnes, despite the high value of the dollar.

In view of the importance of international trade to both partners, it is important that it should be carried on with as few obstacles and difficulties as possible. The obvious forum is of course the GATT. However, it is rather difficult to talk about GATT and agricultural trade when we all know that a major part of this trade is not covered by GATT provisions. In 1955 the United States obtained a waiver to enable it to continue its agricultural support program and on the EC side, the basic mechanisms of the Common Agricultural Policy, including import levies and export refunds, conform to the international obligations of the European Communities and have not up to now been challenged in any basic way in the GATT.

Since the GATT was established, however, there have been two fundamental changes in relation to agricultural trade. Over the last 15 years, agricultural production has soared with the application of modern farming methods. The result is that production has tended to outstrip the markets available for some major products.

In the shorter term, the United States Administration has pursued an expansionary policy which has led to considerable budget deficits and a growing adverse trade balance, while the value of the dollar has remained high. So we have a situation where a high volume of imports is competing in the United States with home products, and many domestic producers who are in difficulties are pressing for protectionist measures to safeguard markets and jobs.

We are only to well aware of and sympathise with the fact that many American farmers, particularly in the mid-Western grain belt, are on the verge of bankruptcy. I would submit that most of these difficulties stem from internal United States policy and economic developments in the country over which the European Community has no control.

I am aware, however, that there are serious problems which cannot be ignored. There are surpluses of agricultural products, both in the United States and in Europe, seeking world market outlets which are limited. We are being accused of stealing US markets by unfair means, that is, by the use of export restitutions payable under the Common Agricultural Policy. This argument is to simplistic. It ignores the assistance given by the United States government and the many financial incentives given to American agricultural exports. My information is that the Community will have spent somewhat less than $15 bn to support agricultural prices in 1985, against something less than $17 bn in the United States. However, I do not want to get into an argument about relative subsidy levels, which is both complicated and sterile.

It is more important in my view to point out how important agriculture is to the European Community. While utilised agricultural area is four times greater in the United States than in Europe, the number of holdings in Europe is almost three times that of the United States. Moreover, the average area per holding is 10 times greater in the United States (160 hectares against 16) and the number of these actively engaged in agriculture per 100 hectare is 9 in Europe, compared to 2 in the United States. Our holdings are much smaller, our farmers are generally poorer and our agricultural population is much more densely distributed than yours.

It is clear that for major products, we produce more than we need. We have a surplus of wheat, barley, sugar, beef, wine and milk products. We have always traded in these products and it is unrealistic to expect us to give up this trade and to cede our part of world markets to our competitors. The critics and reformers of the Common Agricultural Policy have said that our products should be sold without subsidy on the world market at world market prices. To do this would mean aligning our prices with those of our more productive competitors, that is, taking New Zealand prices for dairy products, Argentinian prices for cereals, South African prices for sugar and Uraguayan prices for beef.

To do this in the foreseeable future would mean the destruction of European agriculture as we know it. To insist on such a change would be not only economically destructive, but also politically impossible. Nevertheless, efforts are being made to modify the CAP and to reduce agricultural surpluses. Over the last number of years, the Commission has made proposals which, if accepted in their totality, would mean the virtual freezing of agricultural prices, a limitation on guaranteed prices for important products and increased taxes on farmers to help pay for the disposal of surpluses.

As politicians and realists, we know that in many areas there is a large gap between what is economically desirable and what is politically possible, or indeed socially desirable. Moreover, difficult political decisions are complicated in the Community by the fact that up to now on important issues they have required unanimity. The more contentious the problem, the more difficult is is to be unanimity.

Nevertheless, in spite of these difficulties, the situation as I see it is that a noose is gradually being tightened around the neck of the European farmer. Recent agricultural price increases have not been sufficient to keep pace with inflation. Milk quotas have been introduced which have led to a substantial drop in milk production and this measure has hit farmers who with European Community assistance have been making strenuous efforts to improve their production and increase their efficiency. Now many of them find that having incurred large debts to modernise their equipment and production they are told that this production must be frozen at a certain level, or they will have to pay heavy taxes. Moves are also afoot to increase levies on sugar and cereals and to restrict the prices producers are likely to receive for this produce. In general, farmers incomes in Europe are low and in my own country Ireland, incomes dropped in real terms by no less than 17%, partly because of exceptionally severe weather conditions.

If restrictive measures are introduced and extended to other crops, it seems to me to be a recipe for putting farmers out of business. If you freeze a man's income when he is trying to grapple with inflationary pressures and high input costs, you are making it impossible for him to carry on.

As I have said already, we are aware of an sympathise with the plight of the American farmers in the mid-West who are going bankrupt at present, but I do not see why we should try to repeat this scenario in Europe. While I recognise that changes are necessary, they will have to be gradual and will have to take into account the needs of, and effect on, small farmers in Europe. Where you have agricultural surpluses and stagnating markets, it is inevitable that there should be growing friction between exporting countries. These difficulties will not be resolved by engaging in moves which could precipitate a trade war. Already we are competing to sell cereals at low prices to North African countries, and if we are not careful, we may find ourselves trying to do the same thing in relation to exports to the Soviet Union.

I have the impression that the GATT procedure for the settlement of disputes is being used less as a mechanism for conciliation and more as a means for carrying on a guerrilla warfare against the Community's Common Agricultural Policy and against special trading agreements which have been in existence for a considerable time.

I was dismayed recently to learn that the United States government has filed a complaint under the GATT subsidies code against our wheat export restitutions. It is true that the US share of the world wheat market fell from 49% in 1981/82 to 37% in 1984/85. However, it must be remembered that in the same period the EC share rose by one point from 14% to 15% while our stocks doubled. Most of the US market losses have been caused by non-EC exporters and the decline in US trade has not solely been caused by export subsidies.

The United States is also objecting to Community preferences granted to Mediterranean countries under trade agreements, most of which have already been in operation for almost 10 years. There is the additional complication that these agreements must be adapted to the enlarged Community to ensure that Mediterranean

countries do not suffer from the entry of Spain and Portugal into the European Community.

With the current enlargement of the Community to include Spain and Portugal, many adjustments will have to be made in the trading arrangements operated up to now by the two new countries. This is a delicate area which will require skillful negotiations and maximum goodwill.

It is essential, therefore, that we sit down together and seek a reasonable solution for all these problems, no matter how difficult they may be. If we engage in economic sabre-rattling and megaphone diplomacy which seeks to put all the blame on the other partner, while minimising one's own faults, it will make fruitful negotiations all the less likely.

In the meantime, I feel that our links with the United States should be strengthened, so that any problems we have may be discussed in a cool and businesslike way without rhetoric or emotion. Only in this way can we resist the pressures for protectionism and the tendency to blame our neighbours for all our woes. If effective action in this arena is not taken, we risk a deterioration of the present situation which will be to the detriment of farmers, traders and industrialists on both sides of the Atlantic.

I am glad to see that within GATT attempts are being made to try to hammer out by the end of this year an agenda for a new round of negotiations and I am glad to learn recently that procedures have now been agreed. This is the forum where trade disputes should be resolved, although existing rules may be in need of adaptation and modernisation. In a multinational forum this is bound to take a lot of time, but if the outcome is an agreement that we are all prepared to work and subscribe to in a genuine spirit of cooperation, the effort will have been worth while.

PAPER BY REPRESENTATIVE DOUG BEREUTER

Ladies and gentlemen, I am pleased and honored to be with you today to discuss agricultural trade, a subject of great concern to the American people. The relief our citizens felt as we overcame the scourges of inflation and excessively high unemployment has now turned to dismay as major new economic problems have emerged. These problems can largely be summed up in one word—deficits—of both budget and trade. In cooperation with the President, we in Congress have taken action which holds real promise of bringing our enormous budget deficits under control. Massive trade deficits, however, show no signs of abating.

Coming as I do from the U.S. "farm belt", it is agricultural trade which receives much of my attention, perhaps to the point of preoccupation. In 1980–81, the value of U.S. farm exports hit a record $44 billion. The following year, for the first time in 15 years, U.S. agricultural exports declined. For 1985, we expect these exports to top out at $32–33 billion, a 25% drop in only five years. Compounding this decline are prices which have fallen in the last two years—8% for wheat, 19% for corn and 34% for soybeans. Unfortunately, this decline cannot be seen simply as a business reverse. Having experienced literally astounding growth in agricultural trade throughout the 1970's, American farmers made investment decisions of correspondingly great magnitude. Hindsight now makes it clear that because of unforseen events, many farmers and agribusiness families badly overextended themselves. With the turndown of the eighties, these investment decisions are coming back to haunt American agriculture and its farm communities. Many observers feel that not since the Great Depression has rural America been in such bad shape. Certainly that is true of the western Grain Belt where I represent over one-half million Nebraskans. Stories of hardship and deprivation, bank foreclosures on farms which have been in the same family for generations, and family disintegration are commonplace. Now we observe examples of suicide and related violent crime. It is no exaggeration to say that major parts of Grain Belt America are in crisis. Needless to say, in such circumstances, the pressure on Washington to "do something" has been enormous. Protecting and even enhancing our export markets obviously is one of the things I attempt to accomplish on behalf of the American farming community and the citizens of my state.

No discussion of American farm policy and agricultural exports will be very far underway before the subject of European agricultural production and exports, and the CAP moves to center stage. Frequently, European spokesmen complain that the U.S. seeks to blame the European Community, and especially the CAP, for all its agricultural problems. So before proceeding further, let me lay to rest any fears you may have that I intend to take this line. Following the 1982 GATT ministerial in Geneva, which I attended, Sir Roy Denman ws reported to have said, "the idea that

we are the only people in the world who subsidize agriculture is lunatic." While I might not have put it so colorfully, I agree completely, and I hope that no official U.S. Government spokesman has ever seriously suggested that that was the case. Subsidies certainly are not unknown in the U.S. And as for the more general proposition, we know there are numerous causes for the decline of U.S. farm exports which have nothing to do with the CAP. Among these are, chiefly, an overvalued dollar; problems of debt, recession and hard currency shortage in a number of our major customers; and the emergence of other forceful, new competitors, such as Argentina and Brazil. There was also the matter of our grain embargo of the Soviet Union, which many U.S. farmers believe the EC used to increase market share at our expense. The fact is that the Community agreed to support the embargo, and, aside from some relatively minor cheating, lived up to this pledge.

But as with most things, this situation is neither wholly black nor wholly white. If it is true that not all of our problems in the farm export sector can be laid at the feet of the EC, it is no less clear that EC agricultural policies have contributed to our plight. More to the point, the CAP, at the least, promotes an inefficient use of resources, and quite possibly, brings about trading practices which are both unfair and irresponsible.

Most current commentary on the CAP, from European as well as American sources, is negative, but in examining the origins of the CAP, I find that, as a politican, I can understand fully and endorse the objectives of the authors of the CAP. They and their contemporaries had personally experienced the scarce food supplies of the 1940's. Given that experience, their goals of increased productivity, guaranteed supplies, stable markets and reasonable prices for consumers were entirely understandable. The fifth goal, to promote a fair standard of living for farmers, also made good sense, given the fact that nearly 25% of the community's population was engaged in farming at the time these rules were devised. Were the Common Market being devised in the 80's, when fewer than eight percent of the Community's people work the land, it is likely that the CAP would be very different. But since we do not have the opportunity to start from a clean slate, perhaps the best we can hope to achieve is changing its features at the margins. Speaking again as a politician, I know how very, very difficult it is to tamper with mechanisms which affect people's livelihoods and earning potential. That is particularly true when those people are constituents! But European Community agricultural overproduction is a problem of such magnitude that it has become a truism to say that something must be done to curb it. The following statistics illustrate some of the reasons why the CAP creates great problems and concerns for the United States:

At the start of the 1970's, the EC was a net importer of over 20 million MT of grains annually. Since then, Community exports have increased to the extent that in 1984/85 EC net exports of all grains, food and feed, reached 18.3 million MT.

EC wheat and wheat flour exports have increased 5 fold during the past 14 years, to an estimated 17.5 million MT in 1984/85.

The EC's share of world wheat and wheat flour trade has increased from about 6 percent in 1970/71 to 16.1 percent estimated for 1984/85.

The EC has gone from a net importer of white sugar in 1976/77 to the world's largest exporter. Exports totaled 5.4 million MT, raw basis, in 1984/85.

Prior to 1973/74, the EC was a net importer of beef and veal. Now the EC is the world's largest exporter.

In poultry meat, the EC has moved from being the world's largest importer in the mid-1960's to the world's largest exporter. The Community now accounts for 35 percent of world poultry trade.

The EC is now the world's largest egg exporter, shipping 2.7 billion eggs net of intra-EC trade in 1984. Prior to the inception of the egg CAP in 1967, the EC was the world's largest importer, importing 1.5 billion eggs annually.

The EC is the world's largest dairy exporter, (exports of about 1.5 million MT of dairy products) accounting for about 60 percent of world trade.

If present trends continue, the EC will soon become the number one exporter of agricultural products—measured in terms of value—in the world.

The EC's Common Agricultural Policy, in brief, has succeeded overwhelmingly, even embarrassingly, in achieving its major goals. Ironically, that success has now come back to haunt the EC and has emerged as a major problem for the community itself. To me, the conclusion is inescapable that reform of the CAP is urgently needed. All kinds of things are wrong with it, but nothing more so than that it continues to stimulate overproduction. The long term trend has been for EC production to increase by 1.5 to 2.0% annually while consumption has grown by only .5%. The excess output induced by high support prices leads to reduced imports or greater exports and it means that the prices at which world markets will clear must be

lower. The CAP's price support system or its funding, is apparently designed so that prices are not used to clear markets and influence future production but only to guarantee a "fair standard of living." Intervention prices encourage farmers to respond to artificial incentives rather than to satisfy market demand. For example, despite the chronic oversupply of milk, the resources of many farms dictate that the most suitable commodity, in terms of income generation, is milk. What is right on the individual level may be very wrong on the marco economic level.

As the CAP has developed, so the range of commodities supported has widened, until by now practically everything capable of being produced in a temperate climate is included. Can it really be, as I have read, that pineapples are now grown in the Community? Little or no attention is paid to the fact that these commodities are not being produced efficiently, that is, at the lowest possible cost. More efficient producers of certain products in Australia, New Zealand, Argentina, Brazil and throughout the Third World, to say nothing of the United States, are being crowded out of the market. According to reliable sources, Community consumers have in certain periods paid several times the world price for various diary products, twice the world price for beef and one and one-half times for grain. More recently, they are said to pay an average of 30% more than international prices for food. They pay in other ways as well, since the CAP cost the EC Treasury in 1984 an estimataed $16 billion, which is double the expenditure in 1975. There are also serious bureaucratic and administrative problems inherent in the CAP. The system was devised at a time of fixed exchange rates. The avent of floating exchange rates led to the introduction of "green rates" and then to monetary compensatory amounts (MCA's), further complicating matters. There is, finally, the extraordinary cost to the EC treasury, which is threatened with bankruptcy if outlays cannot be curtailed.

While I firmly believe that most of these CAP shortcomings to which I have alluded demand correction, I also recognize that these are decisions for Community members to make. As I have indicated, our own agricultural house is in sufficient disarray that we must resist the temptation to provide too much advice on how you should go about straightening up your House. Moreover, I do understand the sharp limitations on the freedom of EC leaders to act. Reluctance to take any step which might dilute the CAP, which is the most successful single aspect of European integration and thus, a cornerstone of the alliance, is entirely understandable.

But as to one aspect of your policy, and I speak here of subsidies, we cannot remain silent. While I have bent over backward to concede that our own system has not been managed with optimum efficiency, there is a crucial difference between ours and yours. And that is that our programs are designed to halt the growth of surpluses by paying farmers to take land out of production, while the EC's policy is to pay farmers to produce more and more, regardless of need. While our program has obviously not worked as well as we would have wished in discouraging surpluses, we are continuing to try. On December 19, 1985, the Congress passed and sent to the President for signature a bill which, among things, would: 1) steadily lower the loan rates or prices the government will pay as buyer of last resort for wheat, corn, rice and cotton: 2) continue acreage controls to contain production, both to limit government liability under the support programs and to firm up prices; farmers would also be paid to idle erodiable land and penalized if they plowed it up; the recently passed Conservation Reserve will *permanently* retire 40 million acres once it is fully in place; and 3) lower dairy price supports to discourage excess production. If prices in one year bring forth too much milk, they will automatically be reduced the following year. These steps hold better promise of beginning to bring our problem under control. In contract to this was the EC's inability to follow through on the 1984 agreement to cut cereals prices for 1985–6 by 5%. When 5% proved to be too much to swallow, the cut was lowered to 3.6%, and then to 1.8%. In the end even this token cut was too much for the members and the EC Commission was forced for the first time to act without the approval of the member states and unilaterally implement the 1.8% price reduction.

The Community's heavy reliance on subsidies has a two-fold effect on the U.S. First is the loss of our major export markets in Europe itself. As the EC has gone from importer to self sufficiency to exporter for a whole variety of commodities, it has in the process stopped importing a number of items for which it once had been a prime U.S. customer. U.S. agricultural exports to the ten current members of the EC set a record of $9.8 billion in 1980. Each year since then our sales have declined, reaching only $6.7 billion last year. In 1980 the EC accounted for $28 of every $100 in U.S. farm export sales. By last year the share was less than $17 per $100 of sales. Those markets, we realize, are lost to us for many years to come if not forever. I am not here to talk about trying to reopen them for I know that would be futile. But I am here to say that we will not tolerate attempts to stifle the sale in Europe of

those products which still represent major export items for the U.S. Commodities subject to the EC's variable levies now represent only 15 percent of EC imports from the U.S. The preponderance of our exports to the EC now are products such as soybeans and corn gluten feed for which the Community gave us zero tariff bindings in past tariff-cutting negotiations. The community is continually threatening to disturb the bindings on soybeans and corn gluten feed which cover about $5 billion in U.S. trade. This is done in the belief that if livestock producers in the EC no longer have access to cheaper feed ingredients they will use more higher priced EC grain and thereby reduce the EC grain surplus. Whatever their rationale, we reject EC proposals to implement a quota on imports of corn gluten feed or to levy a tax on soybean oil. Various cabient officers have used every opportunity to tell EC leaders that we won't hesitate to retaliate if the tariff bindings on either corn gluten feed or soybeans is impaired. I have no doubt that the U.S. Congress would wholeheartedly support such a move.

Another aspect of U.S. access of European markets involves the accession of Spain and Portugal to the Community. For political and security reasons we fully support this move. We are supportive even though we already know that, in general our exports to Spain and Portugal will be negatively affected by their accession to the Community. Reduced tariffs in Spain and Portugal may in some instances, be helpful to our trade. However, tariffs between the Community and Spain and Portugal will be eliminated and this internal preference will inevitably divert trade from the United States. Thus, the real advantage or reductions in Spanish and Portuguese tariffs will go to EC member states and to other preferential trading partners. For some in the Community, however, that is not enough. They theorize that, because Spanish and Portuguese duties will be reduced on some $750 million in U.S. exports of industrial products, the EC should receive a $750 million "credit" from the U.S. In fact, the benefit to us of these duty reductions will be reduced or, in many cases, lost, because Spanish and Portuguese duties will be eliminated on imports of competing products from EC members. In contrast, on the agricultural side, comparable alignment would mean that current U.S. agricultural trade with Spain and Portugal will become subject to the CAP. U.S. corn exports to Spain and Portugal totaling $625 million, currently subject to modest import duties, will bear a prohibitive variable levy. U.S. exports of wheat and sorghum will also be affected.

We are prepared to live with this trade diversion because we support Community enlargement. However, as we did in the case of Greek accession, we categorically reject the notion that the EC is entitled to a trade "credit" under whatever guise such a claim might be made. Rumor has it that two areas where the Community may attempt to exercise its "credit" claim are soybeans and products and our fisheries exports. I hope this will not be the case and urge that the EC not build assumptions about trade "credits" into the negotiations related to Spanish and Portuguese accession.

The second effect of the EC's subsidies is the harm they do to our international trading posture. During the early years of the CAP, the United States and other trading countries accepted the EC's accelerated growth because the Community was not yet a major exporter of agricultural products. Even after the CAP's artifical props and barriers had begun to outlive their purpose, the situation did not cause much concern because up until recently consumers were buying a good deal of whatever the world's farmers produced. With growing economies and burgeoning world demand, there was room for everyone to expand. In 1973, world trade in agriculture was valued at $95 billion; the next ten years saw that value double to over $200 billion. Also, with rampant inflation during the 1970's, commodity prices were so high that they masked the impact of the EC's production policy. Then the bottom fell out.

Given the very different agricultural situation of the 1980's, the U.S. cannot condone the fact the EC's artificially induced surpluses continue to assault world markets, where they drive down prices, edge out U.S. products, or both. Export subsidies have enabled the EC to become a major exporter of dairy products, beef, wheat, poultry, and eggs—commodities which, more often then not, they are at a competitive disadvantage in producing. Where it not for these subsidies, the U.S. share of world trade would undoubtedly be greater. According to the United States Department of Agriculture, the U.S. will account for 98% of the increase in wheat and course grain stocks at the end of this marketing year, and 69% of the decrease in world trade. Between marketing years 1983/4 and 1985/6, our wheat exports will be down 20% while those of the EC are up 14%. Put another way, the EC is increasing its share at a time when world trade is decreasing.

The time is past when the United States can remain passive as the EC continues to stifle internal demand, limit imports, encourage overproduction and dispose of

surpluses through export subsidies, and, in general, add instability to world markets. GATT forbids the use of subsidies which result in a state acquiring more than an "equitable share" of world trade. While we may never reach agreement on what is equitable, I believe I have a pretty good notion of what is inequitable, and that is market share achieved through subsidization of inefficiently produced goods.

Despite limited success with GATT over the years, we will continue, among other efforts, to take our complaints about EC subsidies to that body. The EC countries are well aware that the U.S. has long desired to tighten the rules on subsidies for agricultural products. We would like to see export subsidies on non-processed agricultural products eliminated or phased out over time. We are encouraged that all sides are in apparent agreement on the need to strengthen the rules governing agricultural trade and that this will be an agenda item in the next round of tariff negotiations. For the present, however, the irritants remain. Wheat flour, pasta, poultry, lemons and walnuts, canned fruit all are, or recently have been, on the complaint counter, and we don't intend to back down on any of them. We recently have become very alarmed about EC moves to curtail access for U.S. meat exports, which last year totalled over $300 million. The EC Commission has formally proposed a ban on all hormones and growth promotants used in cattle raising. We are concerned that such a ban might effectively stop virtually all EC imports of U.S. meat and offals and therefore urge that any EC measures which may be developed be strictly and solely based on sound scientific information and we urge that alleged health concerns not be used unfairly to restrict trade in meat.

Because of our continued frustrations over these questions, the United States established an Export Enhancement Program last May. It was designed to increase U.S. farm exports and to encourage our trading partners to begin serious negotiations on agricultural trade problems. The program is funded by up to $2 billion worth of surplus agricultural commodities owned by the Commodity Credit Corporation (CCC). As of October 1, the CCC had announced six initiatives targeting wheat or wheat flour. Two of these have resulted in sales to Egypt of commodities valued at about $110 million. Personally, I hope that this program is short lived. It is, purely and simply, a subsidy program. While I agree that pragmatically we had little choice but to start it (to "fight fire with fire"), I hope that our trading partners take sufficiently meaningful steps to curtail their subsidies so that we can terminate this program at an early time. I do not doubt that, in the current jargon, our pockets are at least as deep as those of the EC. But neither of us wants or needs or can benefit from a subsidy war.

Ladies and gentlemen, the United States is prepared to go either way on this question. Either we all move together toward free trade in agriculture, or with great reluctance, the U.S. will continue and even strengthen its subsidy program. There is still time. Despite growing protectionist pressures, the majority of Americans would greatly prefer an open, free trading system. Together, the United States and the European Community account for around half of the world trade in agriculture. What we do has a profound effect on the rest of the world's traders, the economies of their nations and the economic health and growth of our own agricultural systems. We both recognize that over-production at a time of weakened demand has only compounded agricultural trade difficulties. While our approaches are different, the results have been the same in one respect—we both have had to pour an excessive amount of government revenues into the support of our farm sectors. The only winners, aside from a few farmers who have grown rich under these schemes, are the Soviets and their East European allies who have been snapping up surplus EC stocks at distress sale prices.

There has to be a better way. Each of us must be more realistic about the production incentives we unleash. We must pull together to adjust our domestic policies to market realities. For our part, the 1985 farm bill is a step in that direction. European oversupply of food is, historically speaking, a quite recent phenomenon, and we have sought to be patient as the EC struggles with it. We are slightly encouraged by EC moves to restrict dairy production as well as by the EC's eventful agreement to discuss agricultural trade in the 1986 round. The reduction in cereals' prices was far too small, but to the extent that it may represent a break with the tradition that prices only increase, it is welcomed.

The broader relationship between the U.S. and EC countries is one of political cooperation, mutual security and shared values. The fact that we have no many things in common forms the basis for a resolution of differences even in an area as difficult as agricultural trade. The opportunity is ours to move toward fairer and more rational market policies for American and European agriculture. We have the power, if we make the proper choices, to build the basis for a healthier new era for

our farmers and in so doing to bring about an unprecedented future of growth, prosperity and service to mankind.

PAPER BY REPRESENTATIVE WILLIAM F. CLINGER, JR.

The main thrust of my remarks will be hopefully to impress upon our European colleagues the concern which many of us have and which they should share about the increasingly militant protectionist sentiment now sweeping America with particular reference to the steel industry. My plea is that our colleagues recognize that this increasing protectionist sentiment is not just a bargaining position but reflects a deep-seated and broad-based frustration on the part of a growing percentage of the population.

For most Americans, trade became one of the nation's most critical problems in 1985. America's growing trade deficit and the negative impact of foreign competition on domestic industries did not escape the attention of the American people. Almost every American knows someone who is out of work because of imports if he is not out of work himself.

In the United States Congress, well over 300 bills have been introduced with the intent of reforming America's trade laws and protecting certain industries. Some are more responsible than others but all would have the effect of slowing world trade to some degree. The House of Representatives let its concern be known early in the year when it passed a resolution urging President Reagan to retaliate against Japan's unfair trade practices. This was followed by a bill to reduce sharply imports of textiles and textile products (H.R. 1562/S. 680) to conform to quotas agreed to in the multi-fiber agreement negotiated in the GATT. Both the House and Senate moved with relative speed and determination to pass the bill, throwing in protection for copper and footwear for good measure during the legislative process.

The strong, relatively new interest of the American people in the trade issue has significant considerations. The positions taken by candidates in a special congressional election held in the State of Texas was a critical factor in the outcome of that election. The losing candidate, unfortunately a Republican, said he didn't know what foreign imports had to do with jobs in East Texas. A majority of the electorate thought otherwise. The defeat was a lesson for those of us who will be up for election next Fall when you can expect the anti-foreign imports rhetoric to reach new highs or lows depending on your point of view.

I am one of twenty-three representatives in the House of Representatives from the State of Pennsylvania, which in 1984 was the third leading state in the nation in terms of steel production with 14.4 million tons of output. The survival of the steel industry is vital to the economic health of Pennsylvania and the United States.

Many steel producers throughout the world face common problems, including overcapacity due to recession, technological obsolescence in some plants and import competition. All of these factors have contributed to the systemic anemia of the U.S. steel industry. I am not here to defend the failure of the industry to modernize in a timely fashion or its penchant for investing large amounts of capital in non-steel related activities or its willingness in the past to buy labor peace, nevermind the cost. These are problems that are being addressed. But the fact remains that import competition has been and continues to be a significant threat to the continued viability of the domestic industry.

The share of the U.S. market held by imports grew steadily between 1980 and 1984, as the following table shows.

(In percent)

Year	Total market penetration	EC penetration of the U.S. market
1980	16.3	4.1
1981	18.9	6.1
1982	21.8	7.3
1983	20.5	4.9
1984	26.4	6.4

The 1984 market penetration level of 26.4% was a record high. In the first ten months of 1985, the market penetration level was 25.3%, an unacceptable figure in

light of the agreements that the U.S. negotiated between 1982 and 1985 with major steel producing countries.

These alarming increases in market penetration triggered a variety of retaliatory and protective measures on the part of the U.S. Government and its steel producers.

In 1982, several producers filed petitions to initiate antidumping (AD) and countervailing duty (CVD) actions against steel producers in eleven countries, including seven EC members. The U.S. Department of Commerce initiated a number of AD and CVD investigations and found that steel producers in several countries, including Belgium, France, Italy, Luxembourg, and West Germany were subsidized. The Commerce Department also found that exports of several subsidized steel products from the EC were injuring U.S. producers.

In October of that year, as we know, the EC and the U.S. reached an agreement embodied in the Arrangement Concerning Trade in Certain Steel Products, which provided for voluntary restraint of EC exports of carbon and alloy steel products to the U.S.

Under separate agreement, the EC stated that it did not expect EC shipments of pipe and tube to exceed 5.9% of the U.S. market. Yet, in the two years following the agreement, EC shipments of steel pipe and tube captured 14% of the U.S. market, a level almost 250% over the target of 5.9% market penetration established by negotiators and so disruptive that President Reagan had little choice but to declare an embargo on pipe and tube for the last days of 1984. But in 1985 imports of EC pipe and tube still took more than 10% of the market.

In 1983, EC shipments of specialty steel products—which were not covered by the 1982 arrangement—were threatening U.S. producers to such a degree that President Reagan found it necessary to invoke Section 201 of the Trade Act of 1974 (which authorizes import relief for U.S. producers to reduce temporarily the impact of imports through increased tariffs, import quotas, or orderly marketing arrangements) to restrict imports of certain specialty steel products.

Under the 1982 agreement, it was intended that the EC would supply up to 4.01% of the U.S. market for semifinished steel. This translates into 400,000 tons of the proposed total of 1.7 million tons of imports. It is now unfortunately clear that the EC has not made any meaningful effort to limit either tonnage or market share levels to achieve this target as is shown in the following table.

Penetration level

Year	Percent
1981	4.01
1982	13.57
1983	12.30
1984	30.03
1985 (estimate)	26.20

For the first 10 months of 1985, imports of semi-finished steel from the Community totalled 743,000 tons, nearly double the anticipated 400,000.

Complaints by domestic producers against imports of EC carbon steel products persisted into 1984. In response to a Section 201 petition requesting relief from carbon steel imports, the International Trade Commission (ITC) ruled in June, 1984 that imports of certain carbon steel products were a substantial cause of serious injury to the U.S. steel industry and proposed a five-year import relief program.

On September 18, 1984, President Reagan rejected the ITC's recommendations and announced his policy of limiting steel imports into the U.S. The President directed the U.S. Trade Representative (USTR) to enter into negotiations with foreign suppliers of steel to the U.S. to conclude voluntary export restraint agreements (VERs) for five years through 1989. The aim of the President's steel program is to provide the domestic industry with five years of relative stability in terms of import market share so that domestic steel producers can undertake long-term adjustment and modernization. Although the means to accomplish the goal are drastically different, the aims of the President's plan appear similar to those of the Davignon Plan.

The President established a target of 18.5 percent market share for imports of finished steel products. Congress subsequently passed the Steel Import Stabilization Act as Title VIII of the Trade and Tariff Act of 1984 (P.L. 98-573) which established an import target of 20.2 percent for all steel products. This Act authorized the President to enforce any VERs negotiated under his program. Fifteen VERs were negotiated in 1985, the most recent agreement being with the EC on November 1.

Title VII of the Trade and Tariff Act of 1984 directs the major U.S. steel producers to reinvest in the industry as part of an effort to modernize and remain competi-

tive with foreign producers. Domestic producers have moved aggressively to install state of the art technologies, particularly in the area of continuously cast output. Furthermore, companies are planning to install new direct reduction processes using coal, there bypassing the coking and blast furnace operations. And the steel industry is engaged in research and development efforts to find even more efficient ways to produce quality steel products. Producers and unions have negotiated cost-saving collective bargaining agreements, and increased productivity among production workers.

We now have a year's experience under the President's steel policy, and the results are not very encouraging and certainly not sufficient to discourage crisis for harsher measures.

While steel imports have fallen slightly as a share of the U.S. steel market since the President's program took effect, it is clear that the import market share targets of both the President and Congress will not be achieved by 1989 when the program expires.

The Congressional Research Service (CRS) of the Library of Congress prepared estimates of hypothetical U.S. steel import market shares under the President's program for the years 1986–1989 assuming an import allocation of 400,000 tons of semi-finished steel to the EC. Those estimates appear in the following table.

[In percent]

Steel Exporting Region	Steel import market shares			
	1986	1987	1988	1989
European Community	6.1	6.1	6.1	6.1
Other VER Countries	12.3	12.2	12.2	12.2
Non-VER Countries	4.8	4.8	4.8	4.8
Total	23.2	23.1	23.1	23.1

The estimated steel import market share of 23.2 percent exceeds the Congressional target by 3 percentage points. This difference implies that the domestic steel industry would have to forego yearly production of output valued at $608 million (in constant 1972 dollars) compared with the situation in which the 20.2 percent market share target were reached. Other steel-related industies would forego yearly production output with a value of about $517 million (in constant 1972 dollars). Nearly 8,000 more workers in the steel industry, and about 18,700 more workers in other steel-related industries could be employed, if the Congressional target could be achieved. These are jobs foregone, ones that will not come into existence. More ominous from a political perspective are the jobs which have been lost. In 1977, there were 353.3 thousand steel workers. In 1984, there were only 336.7 thousand for a loss of 217.6 thousand direct jobs and far more indirect jobs.

This projection for the U.S. steel industry for the 1986–89 period is not encouraging to the industry, the American people, or the U.S. Government. We cannot expect the Community or any nation with which we have negotiated a VER to do better than the negotiated quota even though we now know that the sum total will exceed the 20.2% figure established by Congress. But if violations of the VERs occur to any significant degree and imports again capture a 26 percent market share, you can anticipate that the Administration or the Congress or most probably both will take action. I would expect that Administration action would take the form of complaints under Section 301 of the Trade Act, self initiation of additional anti-dumping and countervailing duties investigations or possibly an embargo on imports from offending countries.

For Congress' part, legislation has already been introduced which would mandate that the USTR investigate and determine alleged violations of bilateral steel products trade agreements with the EC within 60 days of request by interested party. (H.R. 3524) Another Pennsylvania representative, Congressman Murtha has introduced a bill, H.R. 2809, which would broaden and strengthen AD and CVD laws and depoliticize Sections 201 and 301 of the 1974 Trade Agreements Act. Legislation similar to a bill introduced in the 98th Congress which would have limited imports to 15 percent of the U.S. market for five years (H.R. 5081, the "Fair Trade in Steel Act") has not yet been introduced in the 99th Congress. But the possibility of such legislation being introduced and receiving wide support should not be ignored.

It is our sincere hope that steel trade between the United States and the European Community will continue in an orderly fashion in accordance with the agreements negotiated.

III. MEETING WITH PRESIDENT IN OFFICE OF THE COUNCIL OF MINISTERS OF THE EUROPEAN COMMUNITY AND FOREIGN MINISTER OF THE NETHERLANDS, MR. HANS VAN DEN BROEK

At the beginning of afternoon meeting of January 7, both delegations were addressed by Mr. Hans van den Broek, President-in-Office of the Council of Ministers and Minister of Foreign Affairs of the Netherlands. The text of his speech follows:

ADDRESS BY HANS VAN DEN BROEK

So Far, So Good!

THE RELATIONSHIP BETWEEN THE U.S. AND THE EUROPEAN COMMUNITY AND THEIR COMMON RESPONSIBILITY TO SAFEGUARD AN OPEN WORLD TRADING SYSTEM

Ladies and Gentlemen, to begin with, let me recall the well-known story of a man falling from a skyscraper. At the 35th floor a friend sees him passing his window and automatically calls out: "How are you?" And the reply comes back: "So far, so good."

What does this story have to do with the subject which I am going to talk about today? I shall not answer this question immediately, but will return to it later.

I am going to talk about the European Community and about the West-West relationship. As far as the first subject is concerned, I have been told that the European Community is not a very popular issue in the US today. It is even considered to be such a bore that it is said that speaking about the European Community is a sure way of emptying a room. I am glad to see that the situation in this room still looks all right. So far, so good!

To an outsider the image of Europe may be a confused one. Let it be a consolation to you that this is not just a problem for outsiders. Many insiders have the same feeling. And it could even be argued that if you are not confused, you are very well informed.

What is the situation in Europe today? During my visit to the US last year, I had some frank discussions with members of Congress. What struck me most at that time was that some of them saw Western Europe as having lost its guts, as a fragmented group of stagnant, inward-looking societies, developing into a kind of cultural museum packed with obsolete technology. As proof of this decline they stressed the poor performance of Western European economies in relation to those of the US and the Pacific countries. Of course this impression contains a kernel of truth but at the same time it is a caricature.

If we take the most recent figures for economic growth, we see that over 1985 the European performance will probably be of the same order as that of the US: 2¼% compared to 2½%. I agree that it would be much better to have convergence at a higher level, but it dispels the notion of Europe lagging behind, at least as regards overall economic growth. And I would like to add a couple of things which may, I hope, convince you that Europe is not as backward as some of my American friends tend to think.

The European recovery is backed by a common diagnosis of our economic woes. There is a growing political consensus in all our countries that we have to bring public spending under control, that we have to put more emphasis on the market, that we have to promote flexibility and the entrepreneurial spirit within our societies and that we have to take new pride in personal performance.

How much Europe will indeed profit from its potential strength depends to a large extent on our success in economic cooperation and market integration inside the European Communities. Here too, I believe we are on the brink of liberating ourselves from Eurosclerosis and of entering a period of Eurodynamism. Certainly, I too have sometimes felt close to despair during one of those interminable meetings

of the European Council of Ministers. As Galileo once said: "Yet it does move." And indeed, the Community is moving! The budget crisis, the disputes over the British contribution, and the negotiations over the accession of Spain and Portugal have been solved. The most recent landmark has been the result of the Intergovernmental Conference, which was held at the beginning of December last year. Of course I know that many comments in the press about the results of this Conference were rather critical. Progress at the Conference has been compared to that of twelve snails on a barrel of tar. But the outcome should be judged in the light of the stagnation into which Europe had drifted in the seventies. Moreover, it should be realized that it is a formidable task to find a common denominator for twelve sovereign nations. A couple of years ago, no one observing the miserable state of European decision-making could possibly, by the wildest stretch of the imagination, have conceived of the results of the Intergovernmental Conference, which are now being finalized.

The Conference has yielded four major elements.

First, the scope of majority voting will be substantially extended. This is particularly important for the completion of the internal market. At present the removal of the remaining trade barriers can be blocked by veto. At first sight this issue seems anything but exciting. It is, however, of the greatest importance. The obstacles to trade prevent many companies from exploiting the full potential of economies of scale. The problem is not primarily tariff barriers but a multitude of non-tariff barriers, such as nationalistic government procurement policies and differences in technical standards and norms. As a result, in many instances unit costs are still 10% to 20% above their potential minimum level. The advantages of a less fragmented market are not limited to Europe itself, since a wider and more homogeneous home market would increase the opportunities for European business to compete successfully in the world market. This is sometimes called the springboard function of the home market. In short, the competition of the common market is an important precondition for the success of European industry in the international arena. But it also opens up new opportunities for foreign companies, in that it will be easier for them to cover a unified European market.

Secondly, the Treaty will be modernized by the incorporation of a number of new policy areas, such as technological cooperation, environmental policy and the EMS. The latter is working towards the further convergence of the member states' fiscal and monetary policies with a view to stabilizing exchange rates—a prerequisite for exploiting the potential of the common market to the full.

Thirdly, the European Parliament will get a greater say in the decision-making of the European Community, although I realize that many of you will not be completely satisfied with what has been achieved. In this company there is no need for me to dwell upon this element.

Fourthly, and finally, the codification of the successful experiment of the European Political Cooperation into a formal international agreement, aiming at a further harmonization of the foreign policies of the member states.

The agreements on substance are at present being translated into legal texts, including one on the so-called "Acte Unique", which will cover the relationship between the sphere of the Community proper and the sphere of the European Political Cooperation (EPC).

As you may know, two member states will have reservations about the outcome of the Intergovernmental Conference, although for opposite reasons. Speaking in my personal capacity, I believe that the political commitment of the overwhelming majority of the members to making a success of the outcome of the Conference is so strong that the minority will in the end not want to stop them. I cannot imagine the minority persisting in their self-chosen isolation if the majority shows its determination to go ahead. So, on balance all augurs well for a major step forward in European integration.

As I said, many people will undoubtedly consider these results too modest. But more important than the specifics of the legal texts is the new mentality, which is beginning to emerge, the realization that Europe will have to put its house in order if it wants to stay in the international economic and technological race.

Don't expect us to develop into a kind of United States of Europe, however. The construction of Europe is a unique historical experiment and it is not at all clear what form it will eventually take. What is clear, however, is that it will be a long and complicated process. It was Jean Monnet—one of the founding fathers of the European Community—who once said: "The building of Europe is a great transformation which will take a very long time. Nothing would be more dangerous than to regard difficulties as failures." Fortunately, this is not the case in the Community of today. The mood has changed for the better. Difficulties are seen as challenges

which have to be met in a way which is compatible with the particular characteristics of Europe.

The Western Europe nations do not see themselves as anachronisms. They want to maintain their own traditions and peculiarities and they have no intention of disappearing into a kind of pan-European melting-pot. I am remined here of General de Gaullle's remark to the effect that France alone produces two hundred and forty-six kinds of cheese. Diversity is not a liability but an asset. The richness of European civilization is to a great extent due to its diversity.

So far I have been dealing with the recent developments in the construction of a unified Europe. I shall now turn to the West-West relationship. Any discussion of this issue must begin with the realization that a healthy West-West relationship is of paramount importance to our freedom and prosperity.

It is easy to forget that the present European-American relationship is unique; never before have so many countries freely chosen to make their security and economic prosperity dependent for such a long time on such close cooperation with other countries.

Our relationship draws its strengths from three sources: our common security, our common interest in a strong system of international economic and monetary cooperation, and thirdly, a less tangible but certainly no less important factor, our common principles of democracy, individual liberty and the rule of law.

Of course, there are differences between us, but these are only of minor importance in comparison with what unites us. Our basic similarities have for instance been demonstrated in our reaction to the economic and social difficulties, which emerged in the seventies. These have not led to complacency or to the rejection of the fundamentals of our society, but on the contrary, to a reaffirmation of their worth. These values, which are typical of our kind of society, have not only regained esteem in our own part of the world, but have gained ground in other parts as well. The number of people living under democracy for example has considerably increased in the last few years. Although violations of human rights are still widespread in the world, the idea of human rights as such has gained acceptance as a universal standard.

Our free market system has also regained its appeal. We have rediscovered its virtues in our own countries and collectivist central planning is in retreat in the Third World. Today even Communist countries appear to be eagerly incorporating into their systems such free market elements as decentralisation and material incentives.

Perhaps more than anything else, it is by serving as an example that our societies can contribute to the progress of the world community.

Today's reality is a far cry from what we experienced in the seventies, when some people cynically spoke of East and West engaged in a struggle of competitive decomposition. All in all, I would venture the thought that—just to borrow a well-known notion of Soviet ideology—the present correlation of forces is favourable to the West. And I have in mind here non-military factors in particular. If we continue in this way, the West will be in far better shape at the end of the decade than it was at the beginning, in terms of both its international standing and the prosperity and employment of its citizens.

At the beginning of my talk I promised to come back to our unfortunate friend falling from the skyscraper. I can assure you that he has not yet reached the ground: it is a very tall building. Thus: so far, so good!

Now, what can still go wrong? You may have understood by now that the optimistic picture which I have presented may be thoroughly spoiled if we fail to take the appropriate measures to control some threatening developments. In particular I have in mind the the rising tide of protectionism. Indeed, on our side, we are more and more alarmed by what we see as increasingly protectionist pressures emerging in the United States in various trade sectors. There are, for example, some 300 draft bills of a protectionist nature currently before Congress. We full recognize the pressures on U.S. domestic industry that have developed as a result of the build-up of imports. However, we feel that such pressure should be resisted if the future of the open multilateral trading system is to be preserved—and the threat of a chain reaction averted.

I would like to stress that the United States and the European Community share most of the same fundamental objectives in the field of trade. This essentially means the consolidation of the open multilateral trading system, as enshrined in the General Agreement on Tariffs and Trade (GATT), and the continuing expansion of world trade. In this respect, we welcome the stance taken by President Reagan in his speech on 23 September last year in reaffirming his support for free trade, and the increasing recognition in American circles that the rate of the dollar rather

than unfair practices by trade partners is largely responsible for the U.S. trade deficit.

The Community, for its part, has also taken steps in the same direction. In this respect, I would recall the Community's efforts, both in announcing the lifting of a number of quantitative restrictions and in agreeing to advance by one year the Tokyo Round Tariff reduction planned for January 1987. We hope that the United States will undertake similar action and play its full part in this exercise.

We are also particularly anxious that Japan, which has benefited so much from the multilateral system for more than three decades, should now accept its responsibilities and take substantial, concrete measures to increase its propensity to import and redress its trade imbalance.

Futhermore it is our belief that efforts to redress the US budget deficit, and a closer international cooperation on the stabilization of exchange rates, will help to create a more healthy international trade environment.

The US and the Community have recently been able to settle by negotiation several issues which have cast a shadow over our trade relations for much of 1985, namely canned fruits and raisins. On these issues the Community has clearly demonstrated understanding and good will. Equally, we pay tribute to the efforts of President Reagan in resisting proposals for imposing import restrictions on footwear and more recently on textiles.

Nevertheless we are still alarmed, on the one hard by the recent measures taken against our exports of semi-finished steel products and on the other hand by the agressive American attitude in the agricultural sector, which is all the more deplorable since the Community is the American farmers' best customer. On steel we think we have been treated unfairly and our American partners will certainly hear from us in the near future.

Recent friction in the agricultural area has been centered on two issues—the question of exports to third countries, and wine. The United States has always attacked the Community system of export refunds as being fundamentally wrong. In our view, we have complied with both the spirit and the letter of Article XVI of the GATT which permits export refunds provided they are not used to gain an unfair share of the world market. The problem experienced earlier this year by American exporters was, we feel, due to the uncompetitively high level of the dollar rather than unfair trade practices by European producers. The Bonus Incentive Commodity Export Programme or BICEP programme, announced by the US Department of Agriculture in May last year, and the decision to set aside $2 billion over a three year period to boost US export sales abroad, was presented by Mr. Block as an attack on the Community's trade practices in the agricultural products sector.

This move by the United States was, in our view, unjustified and ran the risk of disrupting world agricultural trade. In fact, even if the US share of the world wheat market did decline over a 4-year period from 1981–84, this could in no way be attributed to the Community whose own share of the market remained particularly stable at that time.

When some 500,000 tonnes of wheat were sold to Egypt under the BICEP programme the Community felt it had no alternative but to readjust its price for wheat sales in that area, which has traditionally been a Community market.

I think that it would be inappropriate for me to go into more detail now on other trade problems which have still not been resolved, such as wine, citrus fruits and the Community's preferential arrangements with the Mediterranean countries. These cases are well-documented and the position of the Community speaks for itself. Instead I shall limit myself to some final general remarks.

It is of the utmost importance that both sides realize that economic exchange is not a zero-sum game in which the gains of one party equal the losses of another. On the contrary, we have always to be aware of the interdependent nature of our market economies and the need to resist the temptations of protectionism, not only in our own interest, but also for the benefit of the world economy as a whole.

And so let us return for the last time to our unfortunate friend falling from the skyscraper. I think we should all feel it our duty to provide a proper safety net to ensure a soft landing for him, so that his "so far, so good" will finally turn out to be: "all's well that ends well."

Thank you.

Representative Lantos offered a strongly worded response to President van den Broek's statement, emphasizing the problem presented by international terrorism and its effect on the Western democracies. Noting that the previous meeting of the U.S. Congress

and European Parliament delegations at West Point, New York in June 1985 had concluded with a resolution citing the danger of international terrorism and a joint commitment on working together to resolve this problem, Representatives Lantos stressed that it was time to take additional steps in dealing with this increasingly serious problem.

Representative Lantos stressed that, while his friendship for his European colleagues was undiminished, he did nevertheless want them to know that their decision on whether or not to cooperate with the United States in dealing with international terrorists and those nations which support them materially would be considered a "litmus test" by many Americans. He noted that the President would be making a speech in a few hours which would reveal strong measures, including economic sanctions, against Libya. He asked that the members of the European Parliament delegation join their American colleagues in supporting this extremely important effort to rein in the growth of international terrorism.

Representative Lantos further emphasized that state-supported terrorism, particularly in the case of Libya, represented one of the greatest threats to the civilized world at the present time. The blatant support offered by nations such as Libya for acts of murder and violence should not, and indeed must not, be condoned in any way by the Western democracies, he stressed. Cooperation between friends and allies is absolutely necessary if this threat is to be effectively dealt with, Representative Lantos added. Furthermore, a failure to act courageously and show leadership on this question in Europe would unquestionably be reflected in an erosion of goodwill between the United States and Europe.

While some Europeans emphasized the economic cost of cooperating with the President's economic sanctions against Libya, Representative Lantos stressed that there was no doubt in his mind that the money lost by European economies in the area of tourism and tourism-related industry if terrorism continued would far outweigh losses which would result from the imposition of sanctions. In this regard, Representative Lantos cited the case of Greece and Egypt, two nations whose tourist industry has been seriously injured by terrorist activities.

Representative Lantos concluded by saying that this issue was one which would unquestionably test the U.S.-European relationship and that linkage with other issues, such as trade, could not be avoided. In the name of innocents who already had died at the hands of terrorists, Representative Lantos called upon his European colleagues to join with the United States in taking a stand against the threat represented by state-supported international terrorism.

IV. EAST-WEST ISSUES AND ARMS CONTROL

Representative Tom Coleman began this discussion by pointing out that speculation that President Reagan would be ineffective in dealing with the new phenomenon of a younger Soviet leader has proved to be groundless. The Geneva Summit opened a dialogue between the superpowers and demonstrated that fundamental problems could be addressed based upon realism and a recognition that the two political systems were very different.

Accomplishments at the summit, Representative Coleman observed, included agreement for future summits, a statement rejecting the concept of a winnable nuclear war (which reflected President Reagan's established view), an agreement in principle to reduce offensive nuclear weapons by 50 per cent, a renewed commitment to the Geneva negotiations, and a number of cultural and scientific exchanges.

In the area of regional conflict, the Soviet Union appears to be more flexible on major problems such as Afghanistan. It appears to be concerned about the effects of those of its policies which may exacerbate regional tensions, as in the case of its arms deliveries to Libya. No progress was made in the area of human rights but it was made clear that the Soviet behavior on this issue was morally wrong and politically unacceptable in the context of U.S.-Soviet relations. Representative Coleman argued that the summit's results should be considered a success for both President Reagan and General Secretary Gorbachev because they confirmed the importance of an ongoing dialogue and expressed their strong desire to seek common ground on existing problems.[1]

Another assessment was made by Representative Bill Richardson, who pointed out that it was too early to assess full implications of the Reagan-Gorbachev summit but argued the summit did reduce superpower confrontation and produced agreements on cultural and scientific affairs, consulates, the safety of civil aviation over the North Pacific, a series annual summits, and intensified bilateral discussions on a variety of issues.

To build on these modest achievements, Representative Richardson said, real, concrete results in the major subject areas of U.S.-Soviet relations would be needed if the summit is to have enduring value. The 27th Soviet Party Congress in February, the systematic replacement of the Brezhnev Politburo, the replacement of Gromyko as Soviet Foreign Minister all point to a new multipolarity in Soviet foreign policy.

Representative Richardson observed that the Soviets could conclude in the absence of tangible progress on critical issues of the U.S.-Soviet relationship that the range of possible cooperation with

[1] Representative Coleman's paper appears at the end of this section.

the United States is severely limited. In an effort to diminish American influence, the Kremlin could seek improved relations with Western Europe, Japan and China. If, on the other hand, a pattern of concrete results on the issues of arms control, regional disputes, and human rights is forthcoming, Moscow as well as Washington will have created a new web of bilateral relationships that can avoid or dissipate areas of confrontation.

Despite the lack of progress on arms control at the summit, Representative Richardson argued that the Geneva negotiations have brought a narrowing of differences on such critical issues as the levels of ICBM warheads, ICBM and SLBM launchers, and levels of intermediate nuclear forces. Persistent and deep differences remain between the two superpowers on the issue of SDI, although the decision by the Reagan Administration to abide by the longstanding 13-year established interpretation of the ABM Treaty prohibiting space-based defenses enables SDI research to go forward responsibly without undermining existing arms control agreements and deterrence.

As such, he concluded, the arms control agenda confronting the United States and the Soviet Union is long and difficult. Four critical benchmarks in the coming months concerning improvement in the Soviet human rights performance, progress at the Geneva talks, the direction of Soviet foreign policy established at the Party Congress in February, and the extent of Congressional support for or resistance to SDI will help determine whether the first Reagan-Gorbachev summit was historic or merely episodic.

Representative John Seiberling expressed support for the 50 percent principle on offensive reductions and other achievements produced by President Reagan at the summit, but pointed out that with respect to SDI, the bulk of evidence supports the longstanding established 13-year interpretation of the ABM Treaty prohibiting the development, testing, and deployment of space-based defense systems. He also pointed out that the SDI concept is feasible only in the context of drastic reductions in offensive forces that would ironically not be accepted by the Soviets without abandonment of SDI.

In response to the U.S. delegation, Mr. Jean Penders pointed to the linkage between the 50 percent proposals for reductions in offensive nuclear weapons with the need for negotiations on SDI if progress in Geneva is to occur. In the interim, SDI research must be conducted within the restraints of the ABM Treaty. To prevent the new multipolar emphasis in Soviet foreign policy from dividing U.S. security relations with Western Europe, precise consultations on arms control decisionmaking with the Europeans must take place.

Mr. Sergio Segre agreed with Representative Richardson that it appears the Soviet Union is moving toward acceptance of the concept of interdependence and a multipolar foreign policy, and cautioned that Western Europe must move carefully and harmonically with the United States to prevent Soviet exploitation of divisions.

Finally, Mr. Elmar Brok pointed to the need for caution on the INF element of the Geneva negotiations so as not to threaten the decision to deploy modernized NATO INF forces, preserve a balance of nuclear weapons, and not undermine efforts to improve

conventional forces while still pursuing conventional force reductions at the MBFR negotiations.

PAPER BY REPRESENTATIVE E. THOMAS COLEMAN

Soviet-American Relations and Arms Control in the Post-Summit Period

Ladies and gentlemen, thank you very much for giving me this opportunity to speak to you today about Soviet-American relations and arms control. With the summit meeting between President Reagan and General Secretary Gorbachev barely two months past, our discussion today is still very timely.

I still recall vividly the Thursday evening following the summit when the President of the United States arrived at the U.S. Capitol—after nearly twenty hours of travel—and walked into the chambers of the House or Representatives to address Congress. At that time, I could not help but notice the energy and enthusiasm that accompanied the President as he strode down the aisle. Without the President saying a word, I knew that he was pleased with the outcome of his meeting and felt assured that he had accomplished his goals at the Summit. The President's post-summit speech to the Congress bore this out. President Reagan emphasized that the meeting was indeed "the fresh start" in Soviet-American relations that he had wanted. It had opened a dialogue between our two nations, and it illustrated that Soviet and American leaders could work together in certain fundamental areas of concern to both our nations.

At the same time, the President did not hesitate to strongly emphasize that this meeting was based upon realism and a recognition that the Soviet system is very different from our own. Obviously, the President labored under no illusions about General Secretary Gorbachev and the Communist Party which runs the Soviet Union.

Yet despite such areas of extreme differences, the meeting can and should be viewed as a success for both President Reagan and Mr. Gorbachev. Both men confirmed the importance of an ongoing dialogue and expressed their strong desire to seek common ground on existing problems. Acknowledging that this was only a first step in an ongoing process, they agreed to meet again in the near future. General Secretary Gorbachev accepted an invitation from the President to visit the United States next year, and in turn the President accepted an invitation from Mr. Gorbachev to visit the Soviet Union in 1987.

In addition, the leaders of the world's two superpowers recognized and explicitly stated in their joint communique that "a nuclear war cannot be won and must never be fought." While I cannot speak for Mr. Gorbachev who has been in the global limelight for a relatively short time, I should point out that President Reagrn has been saying exactly word for word this phrase for a number of years now. I feel strongly that the codification of this principle is very important and represents a significant agreement between our two nations.

Beyond the general principles agreed to, the discussions between the two world leaders were frank, sometimes blunt, and on a number of occasions, as Mr. Gorbachev described it in his post-summit news conference, "very intense." The framework agenda for these discussions was comprised of arms control, regional conflicts, human rights and cultural and scientific relations. By and large this agenda was adhered to, although some of these topics were discussed only in the closed personal sessions between Mr. Gorbachev and Mr. Reagan.

In the arms control area, the final agreement between the United States and the Soviet Union to reduce offensive nuclear weapons by 50% offers a dramatic starting point for our arms control negotiators when they return to Geneva. Previously, arms control agreements had only established ceilings on nuclear weapons, and usually these ceilings were much higher than the current inventories of the Soviet Union and the United States. Thus countries could continue to increase their nuclear inventories without breaking a strategic arms limitation agreement. But now we are talking about a 50% reduction in existing weapons. As an official Congressional observer at the Geneva arms control talks, I can assure you that this is a very exciting and positive point.

They also agreed to accelerate the work at the Geneva negotiations and reaffirmed the negotiation process. If there was an area of disappointment in the arms control area at Geneva, it was that Soviet noncompliance with existing arms control agreements seems to have been almost totally ignored. No mention was made of the Krasnoyarsk phased array radar in Siberia which violates the Anti-Ballistic Missile Treaty, or of the encryption of ICBM test telemetry and the production of the SS-25 ICBM, both of which violate the SALT agreements. These are very important arms

control issues. If these violations are not cleared up, it will be very hard to justify a new agreement when it is clear that old agreements are not being adhered to.

In the area of regional conflicts, early summit reports indicate that the Soviet Union may be more flexible than expected on areas of friction in Soviet-American relations, such as the presence of 115,000 Soviet combat troops in Afghanistan. Before the Summit, President Reagan put forward a peace initiative for the Third World during his speech to the United Nations. He invited the Soviet Union to join the United States in trying to find peaceful solutions to trouble spots such as Afghanistan and Central America. While no substantive response was given to this proposal, the joint communique issued at the Summit perhaps reflects a recognition by Mr. Gorbachev that these areas and points of conflict do inevitably affect other areas in our relationship, such as progress in the arms control arena. After all, it was the Soviet invasion of Afghanistan in 1979 which prompted President Carter to withdraw the SALT II Treaty. As a result, it has never been ratified by the Senate and is scheduled to run out next month.

Human rights, while resisted to the end by the Soviet Union, were nevertheless discussed extensively by Mr. Reagan and Mr. Gorbachev. However, these discussions appear to have been dealt with exclusively in the closed personal meetings and few productive results can be seen. While I know that Soviets argue that Human Rights violations in the Soviet Union are a domestic affair and none of our business, I can't agree with that. The observance by a government of the basic human rights of its own people is a fundamental measure of its respect for the rights and freedoms of other people and nations. We Americans believe that we as a nation and a people have the right to criticize another nation, whether it be the Soviet Union, Nicaragua, or the Philippines, when human rights are being abused and people are being denied their freedom. In turn, we accept that people will feel free to criticise us. Yet unlike the Soviet Union which says that this is wrong, we say it is right. It is through this very self-criticism that we improve our society and assure our rights. To deny this right is, I feel, morally wrong and therefore totally unacceptable.

Finally, we did agree to a number of cultural and scientific exchanges between the Soviet Union and the United States. Designed to improve our knowledge and understanding of one another, these people-to-people exchanges may well lay the groundwork for improved relations between our two societies in the future. While we have always been a free and open society, the Soviet Union has been a closed one. Perhaps some of our apprehension about the communist system is born out of the fact that we have never been given the opportunity to truly see it. Hopefully these cultural agreements will help open up Soviet society, so that we can better understand how it works.

As you can see, there was a great deal accomplished at this meeting, yet there still remains a great deal more to be done. The first step has been taken. Now we must get down to the real "nitty gritty," as we Americans describe it. But this won't be easy.

I think it is safe to say that we all recognize that there are fundamental differences between American Democracy and Soviet Communism. And these basic differences cannot be easily reconciled. Let me take this opportunity to offer an example of how they affect our relationship with the Soviet Union.

I don't think Soviet leaders realize that as long as they wall in their people and those of their East European neighbors with barbwire, concrete barriers, guard dogs and armed soldiers—simply to keep people from leaving—we Americans will always be deeply troubled by a Soviet government which can justify the continued existence of such an abhorrent structure and all it stands for. We simply cannot comprehend this inhumanity and therefore it must inevitably affect our view of the Soviet system.

Thus, arms control agreements between the Soviet Union and the United States are possible, but they will not be easy to come by. There is much at stake, and no margin for error. President Reagan recognizes this, and I believe that the majority of my colleagues in Congress realize this well.

V. THE MIDDLE EAST AND TERRORISM

The discussion on the Middle East began with a presentation by Representative Benjamin A. Gilman, for the U.S. delegation. Representative Gilman discussed a wide range of tensions and conflicts in the Middle East, such as the Iran-Iraq war, Libyan expansionism, Lebanon, the oil glut, and the Arab-Israeli conflict.

Representative Gilman said he spoke of the Arab-Israeli crisis last, because in his view too many of the problems of the region were laid at the doorstep of the parties to that conflict and those countries deemed to have special influence over them. Looking at the past year, Representative Gilman noted that considerable progress had been made. He referred specifically to Egyptian-Israeli relations and apparent progress in the negotiations on the status of Taba. His other comments concentrated on the accord between Jordan and the Palestinian Liberation Organization in February 1985. Israel, he noted, made an important gesture by accepting the principle of an international framework for negotiations, but the Israelis agreed to this only on the condition that the negotiations would be held between the parties actually involved in the cconflict and not subject to the demands of approval of other nations.[2]

The European delegation largely assigned the same significance to the Jordanian-Palestinian agreement. However, the interpretation of this agreement, as advanced by Mr. Ernest Glinne, placed somewhat different expectations on the parties involved than those stated by the U.S. delegation in the joint Palestinian-Jordanian delegation, and, Mr. Glinne remarked, Israel would have to negotiate with the PLO. He claimed that Yasir Arafat had openly recognized Israel's right of national existence.

The exact role of the PLO in the negotiations was the source of some disagreement between U.S. and European delegates. Representative Gilman had observed that the U.S. would not deal with the PLO until it had accepted the substance of UN Security Council Resolutions 242 and 338. Representative Lantos commented that if the major oil-producing Arab states had provided refugee assistance programs to the Palestinians the question of their status would have been resolved years earlier. He also noted that if the PLO is unable to control the violent actions of factions within it such weakness then is testimony to the fruitlessness of trying to negotiate a lasting peace through PLO channels. Mr. Blumenfeld from the European delegation shared Representative Lanto's judgments about the problems created by elevating the status of the PLO in the eyes of Europeans and Arabs. Yasir Arafat's leadership of the PLO, Mr. Blumenfeld noted, had been ineffective, even

[2] Representative Gilman's paper appears at the end of this section.

worthless, since the PLO convention still called for Israel's demise, it should not be a party to negotiations.

Terrorism had been discussed during the meeting with Foreign Minister van den Broek, but the President's announcement of sanctions against Libya on the evening of January 7 and his accompanying call for allied support gave new urgency to the discussion. In this presentation, Representative Gilman expressed his disappointment about the failure of America's European allies to boycott the Beirut airport after the TWA hijacking last summer, or to support the Libyan sanctions. Representatives Lantos and other members of the U.S. delegation shared this disappointment. Representatives Lantos and Gilman expressed special disappointment with a resolution passed by the European Parliament which included a condemnation of the U.S. interception of the Egypt Air plane carrying the hijackers of the *Achille Lauro* as an act of air piracy.[3] Mr. Blumenfeld said this resolution, which he deplored, was the result of the confusing procedure the Parliament uses to handle its "emergency debates." On hearing this, several members of the U.S. delegation urged their European colleagues to work to repeal this resolution—a message sympathetically received by Lord Bethell and Mr. Blumenfeld.

European hesitation to implement economic sanctions originated in part from doubts about their effectiveness as well as their impact on bilateral relations with Libya. Mr. Glinne stated that European governments needed clear proof of Libya's support of terrorism before they could implement sanctions or other measures. Representative Bereuter cautioned the Europeans that the failure of economic sanctions, caused partly by Europe's failure to join in them, might compel the U.S. to use tougher measures to control terrorism. Turning specifically to Libya, Representatives Bereuter and Coleman urged their European colleagues to persuade their governments not to allow their businesses to replace the losses in Libya created by the departure of American business and personnel. This concern drew agreement from several European delegates.

Two other Middle Eastern issues raised by Representative Gilman were also discussed: The Iran-Iraq war and Lebanon. Representative Gilman drew attention to the Iran-Iraq war which had entered its sixth year. He observed that it seemed nowhere close to a solution and asked whether the U.S. and Europe might have done more to end it if their interests had been more directly affected. Although the U.S. remains neutral, it has tilted some towards Iraq because of U.S. concerns about the radical Iranian regime. The U.S. has cut off the supply of arms to the combatants, thus Representative Gilman urged the EC to support an arms boycott against both Iran and Iraq.

In Lebanon, Representative Gilman stated that since the withdrawal of the Multinational Force that was in Lebanon, the U.S. has reduced its visibility to a level where it primarily provides assistance to Lebanon only for institutions engaged in education, health, and other humanitarian activities. Representative Gilman

[3] See appendix II for the text of the resolution.

expressed doubts about the future of peace in Lebanon—doubts that were shared by Mr. Glinne, and encouraged the EC members states to join with the U.S., where possible, in efforts to end the strife in that country.

PAPER BY REPRESENTATIVE BENJAMIN A. GILMAN

The Situation in the Middle East

Chairman Dankert, Chairman Lantos, and my colleagues: It is surely a truism, but one which must be repeated at the outset, that the peace and security of the entire world, and not just that of the United States and the European Community, depend to a large extent on events in the Middle East. Yet the U.S. and the EC each have a special stake in the region, as well as a special role to play in resolving regional conflict.

I would like to take a few minutes to outline my perspective on the conflicts in the Middle East and the roles which the United States and the European Community might reasonably play in resolving them.

A major tragedy in the Middle East is the Iran-Iraq war. The conflict now entering its sixth year, continues at a terrible cost in life and treasure, without real hope of solution. Even the recent Iraqi campaign against Iran's Kharg Island seems not to have had the effect, hoped for by the Iraqis, of cutting off oil exports and forcing Iran to the negotiating table. Indeed, oil exports seem to have increased. Frankly, all people interested in peace and with influence in the area must confront a difficult moral question: would we have done more over the years, if we had been hurt more directly by the economic consequences of the war? At any rate, the American attitude toward the war—neutrality with somewhat of a tilt toward Iraq in recognition of its interest in finding a peaceful solution and because of our antipathy toward the Iranian regime—has taken its most active form in support for a cut-off of arms supplies to the warring parties. Unfortunately, we have not had the support of arms-exporting countries, including member-nations of the EC, although we have suffered economically by depriving our arms industry of a potentially lucrative market. I call upon the EC to take effective action to support an arms boycott of both Iran and Iraq, and to support all diplomatic efforts to bring about a peaceful solution.

The civil war in Lebanon drags on. Israel has effectively completed its withdrawal, but Syria remains engaged in an attempt to balance the chaotic situation there, often by the application of brute force. The United States, having tried, with the cooperation of European powers, to provide armed manpower and back up the constitutional government of Lebanon, has reduced its efforts to the provision of economic assistance to institutions engaged in education and health activities and other humanitarian activities. I hope for continued diplomatic efforts by the U.S. government to the extent they seem feasible, and for similar efforts by EC member-states—some of which, of course, have long ties to Lebanon—and by the Community's own political apparatus.

Let me raise the subject of terrorism at this point by stating that, frankly, my colleagues and I were disappointed at the failure of states belonging to the EC to back effectively our boycott of the Beirut Airport after it became quite clear that it was in essence a pirate base. I think it is only good fortune that has prevented a repetition of the TWA 847 incident at Beirut Airport.

Libya continues to menace both its neighbors and countries throughout the world with its military activities and its support of terrorism in Europe, the Middle East, and elsewhere. We have been tightening our economic boycott of Libya but our efforts are hampered, to say the least, by the willingness of our friends to step in and sell the Libyans just about anything they want and buy anything they can produce. I very much doubt that "constructive engagement" will get anywhere with the present leadership in Tripoli. The American people understand the danger posed by Libya and hope that our friends in Europe will help us isolate it from the civilized world. Our nation intends to continue to defend freedom of navigation at sea and in the air in the Gulf of Sidra, as elsewhere, against unlawful restrictions.

With the continuing decline in the artificially high price of oil, the economic importance of the Gulf States and Saudi Arabia will decline somewhat, although they will continue to be consequential, to say the least. There is a real possibility of civil disorder in countries which, like Jordan, "export" skilled labor to work in the oilfields of the Gulf, as remittances from those workers fall off sharply. Similarly, it may be difficult to arrange a transition from economies based on "guest workers"

from outside the Gulf to economies based on indigenous labor. We continue to support economic diversification in countries which will be impacted by the collapse of the OPEC cartel by means of bi-lateral support for industrial and agricultural projects, as well as support of multi-lateral aproaches.

Several of the member states of the EC, and particularly Spain and Portugal, just entering it, have become increasingly aware of possible dangers to them from the south. North African nations with relatively unstable political systems are subject to subversion and the installation of long- or medium-range weapons which may require the development of substantial fighter interceptor and anti-missile capabilities purely as a precaution.

I note at this point that I have spoken about a substantial number of sources of conflict in the Middle East, each capable of developing into a threat to world peace, without even mentioning the perennial problem of the Arab-Israeli conflict. My point in this method of presentation is to make clear my view that we often blame too many of the world's problems on that conflict, the parties to it, and the nations thought particularly capable of influencing the combatants.

1985 was a year of hope for progress in resolving the Arab-Israeli conflict. Israel has, as I said earlier, completed, for all intents and purposes, its withdrawal from Lebanon. With the close of the year, progress is being made on restoring the Egyptian-Israeli relationship, with some apparent progress on the Taba issue. The PLO-Jordan accord of February brought King Hussein back into the picture as a major player in the peace process. American initiatives to bring the parties together ebbed and flowed. The American administration sought to shore up Jordan's security against a perceived threat from Syria while Syria and Jordan finished the year by launching into an apparent rapprochement that left many of us in Washington scratching our heads.

Clearly, however, substantial progress has been made. Jordan's demand for an elaborate pre-process leading up to direct talks between Israel and a Jordanian-Palestinian delegation has been set aside. Israeli Premier Peres has accepted the notion of an international framework for negotiations, as long as the negotiations themselves are between the parties to the conflict and were not subject to the demands or approval of other nations. The sticking point, in my view, is the continuing inability of the Jordanian side to come up with mutually acceptable negotiating partners from among the Palestinians.

As you in the European Community and British officials in Whitehall have learned, it is difficult to find an individual high in the ranks of the Palestinians willing to acknowledge the right of Israel to exist within secure and recognized borders and who will renounce the use of terror. Nor is it possible to find a point in time very remote from some serious PLO outrage. For its part, the United States will continue to adhere to its policy of refusing to deal with the PLO until it accepts U.N. resolutions 242 and 338 and renounces terror. The American people reject the notion that terrorist organizations should be placated by addressing their political demands. From our point of view, this principle applies equally to the Red Brigades, the CCC, M-19, the Red Army Faction,—and the PLO.

Prime Minister Peres has come a long way by accepting the principle of an international framework—a step which some may question, since it may not be possible to limit the damage done to the prospects for peace because of the participation of such trouble-makers as the Soviet Union or Syria. Nevertheless, we are, of course, prepared to leave these decisions to the parties to the conflict. But now the world awaits some action from the Jordanian King. He has had several talks with Arafat but has not yet received any appropriate response. It is possible that his approach to Syria is a means of pressuring Arafat, or perhaps Jordan and Syria are preparing a joint approach to negotiations, and will negotiate, together, on behalf of the Palestinains. Or more ominously, perhaps Jordan's military forces are being counted, together with Syrians, in Syria's search for the military parity it seeks with Israel before launching a war against it to regain territory on the Golan Heights.

I prefer to believe that Israel and Jordan, and a substantial number on the Palestinian side, are ready for peace. I support the continuing involvement in the area of American negotiators such as our Assistant Secretary of State, Richard Murphy. We try to garner support for the peace process in our unofficial contacts in the Arab world, where support for the King's initiatives has been rather lukewarm. I think this is an area where my colleagues in both institutions could do more. On the other hand, we should of course be careful about pushing the parties themselves in directions they are unprepared to go.

In addition to diplomatic support of the peace process, we in the United States will continue to reward nations willing to involve themselves in the search for peace by extending economic aid to them, and we will maintain the military balance in

the area against the continuing build-up sponsored by the Soviets in Syria and elsewhere.

As legislators, both my colleagues in Congress and my colleagues in the European Parliament should exercise caution in engaging in diplomacy without portfolio, as it were. In Congress, at last, we are responsible for broad oversight and for authorizing, with such "strings" as we see fit to attach, spending for economic aid and arms transfers—both rather bluntly instruments in the delicate world of diplomacy. We cannot substitute for the experienced diplomats of our respective foreign affairs agencies. I hope that my European Parliament friends and my colleagues in the Congress find a way to balance our interest in involving ourselves in the pursuit of peace with respect for the need to listen to the professionals.

As we look forward to the new year, a year when there are still sensitive issues to be resolved in the search for peace in the Middle East, it is important that we act persistently but with caution. We should concentrate on getting the parties themselves to the table where, I am sure, they can—and will recognize, I am sure, that they must—work out a mutually satisifactory solution.

VI. SOUTHERN AFRICA

Speakers from both sides noted some convergence of U.S. and EC policy and thinking on how to handle the problem of Southern Africa. Lord Bethell stated that most Europeans doubt the wisdom of full-scale economic sanctions, which might harm South Africa's black population more than help them. but the European Community was moving in the direction of enforcing some restrictive measures as well as adding some positive steps to reinforce minority education and rights. Lord Bethell commented that economic sanctions posed particularly difficult questions for Great Britain, since nearly 40 per cent of all foreign investment in South Africa was British—a sum twice as large as that of the United States.[1]

Representative Richardson addressed the question of South Africa from an American perspective. Looking at the present U.S. policy of "constructive engagement", which seeks to moderate South African policies by continued contact with its government, he observed that it had produced mixed results. "Constructive engagement" probably had helped move South Africa toward a new constitution permitting limited political participation by the Indian and mixed race population; however, it had failed to produce an end to apartheid and, certainly, it had not brought about a more peaceful climate in South Africa itself. Agreeing with Lord Bethell about the importance of U.S.-EC cooperation on South Africa, Representative Richardson noted that more had to be done. He outlined five steps for both the U.S. and EC: 1) continued criticism of South Africa's system of apartheid; 2) support for genuine power sharing in the country; 3) support for organizations in South Africa working for political reform and social change in South Africa; 4) promotion of economic development among South Africa's neighbors; and 5) a search for new sources of metals the U.S. and Europe now import from South Africa.

Turning to Angola, Representative Richardson remarked that the question of providing assistance to the guerrilla movement, UNITA, headed by Jonas Savimbi, would be the major question in Congress in 1986 affecting Africa. He sought to explain to the European delegates some of the pros and cons behind the developing argument over Angola in the U.S. Supporters of such assistance could point to the continued presence of 30,000 Cuban troops in Angola as well as 5,000 to 10,000 Cuban, Soviet, and East German advisers. Opponents have asked whether such assistance could really work, what it might do to U.S. efforts to negotiate the removal of Cuban troops from Angola, how it would affect the image

[1] Lord Bethell inserted two documents into the record to illustrate some of the issues at stake in South Africa: a talk by any opposition MP of the South African Parliament, Helen Suzman, and a memo of a meeting with Oliver Tambo, head of the African National Congress. The text of both items is found in Appendix III.

of the U.S. in black Africa, and whether it would give the Soviets as invitation to expand influence in southern Africa.

The brief discussion that followed showed a variety of concerns and perspectives. Mr. Henrich Aigner claimed that a vast majority of black South Africans opposed strict economic sanctions; he also stated that Jonas Savimbi would be pro-Western in his leadership. Mr. Glinne shifted the discussion briefly to Namibia, which he described as the Achilles Heel of southern Africa. He encouraged the delegates to have their governments work for the removal of South African troops from Namibia.

VII. NARCOTICS

The discussion on narcotics and drug trafficking revealed strong bonds of agreement and concern among almost all delegates. Representative Gilman shaped much of the discussion with a presentation which reviewed the growth of the drug business to an annual $110 billion illicit activity. He reported that cultivation of coca in Colombia, Peru, and Bolivia continued to increase despite efforts to stop it. Representative Gilman recommended several measures to reduce the supply of and demand for drugs: 1) increased contributions to the UN Fund for Drug Abuse Control (UNFDAC); 2) multilateral agreements, such as the European Parliament's resolution on narcotics, as well as UN resolutions; and 4) measures passed by the Congress to place restrictions on economic and military assistance to Bolivia and Peru unless they develop plans to eradicate illicit coca production. In conclusion, Representative Gilman urged the creation of a Liaison Committee between the Congress and the European Parliament to exchange information and ideas on reducing drug trafficking.[1]

Responding for the European delegation, Mrs. Christiane Scrivener agreed with Representative Gilman's remarks and stressed the importance of overcoming national barriers in addressing the drug problem. She also remarked that it was very important to educate young people, even at the primary level, about the dangers of drugs. Sir Jack Stewart-Clark warned that the drug addiction problem could grow severely within five years if nothing was done to correct it. As Rapporteur of the EC Committee of Inquiry responsible for drugs and narcotics, he advised his U.S. colleagues that the committee would be holding a series of hearings within the year. The committee's work would include consultation with the Congress. Sir Jack made several recommendations as well: (1) Drug prevention education for young people; (2) short-term rehabilitation programs for addicts in serious trouble; (3) additional funding for Interpol; and (4) more effective crop substitution programs.

PAPER BY REPRESENTATIVE BENJAMIN A. GILMAN

Thank you Mr. Chairman, It is pleasure for me to once again have the opportunity to discuss with you the ever-growing problem of narcotics trafficking and drug abuse. I look forward to these annual meetings because they are a perfect example of our deep friendship and willingness to join together to fight a common problem.

As I reported to you last year, there is virtually no region of the world that has escaped the debilitating consequences of drug trafficking and abuse. Europe and the United States continues to be inundated with heroin, cocaine, marijuana and other dangerous drugs, and the crisis has reached epidemic proportions. In that light I want to discuss with you the continuing problems that we face as well as the positive signs that have surfaced in recent years in the hope that we can chart a cooper-

[1] Representative Gilman's paper appears at the end of this section.

ative course of action to end this worldwide epidemic. We must act now to forge a new spirit of bilateral and multilateral cooperation to reduce the supply and trafficking of illicit narcotics, as well as to promote programs to reduce the demand for drugs.

The 1984 Report of the United Nations International Narcotics Control Board (INCB) warns that

"Illicit cultivation and production of drugs and trafficing now involve many more countries. These illegal activities continue to be financed and operated by well organized international criminals. They are so pervasive and generate such vast volumes of capital that countries' economies are disrupted, legal institutions menaced, and the very security of some states is threatened."

In the United States alone drug trafficking has become a $110 billion illicit activity, and the worldwide figure, taking into account the suffering and human misery related to drugs, is incalculable. In Europe the spread of drug trafficking and abuse presents a grim picture. In almost every country the number of drug abusers and drug-related deaths, especially among youth, is increasing.

As Ranking Minority Member of the U.S. House Select Committee on Narcotics Abuse and Control, I recently traveled with our distinguished Chairman, Charles B. Rangel, to the drug producing nations of South America. With a number of our colleagues, we had the chance to evaluate coca cultivation and cocaine production in that region. I regret to report that the situation is not a good one. Despite increased activity by the Government's of Colombia, Peru, and Bolivia on coca eradication, cultivation continues to increase.

The effects of increased cocaine production have been felt in Western Europe as abundant supply and intensified enforcement activities by the United States have resulted in diversion of shipments to your continent. With ample supplies of heroin and hashish and other psychotropic substances readily available, the drug abuse and trafficking situation in Western Europe is grim. Cocaine seizures have grown from less than one kilogram 15 years ago to well over a ton at this time; and heroin seizures continue to mount as well. In France heroin seizures increased from 168.3 kilos in 1983, to 300.0 kilos in 1984. In Portugal they increased from 9.0 to 20.0, and in the United Kingdom from 246.9 kilos to 318.0 kilos.

In spite of this bad news, I believe that we meet today at a time of great opportunity to work together to bring the problem of narcotics production and trafficking under control. Drug producing nations are becoming drug consuming nations and are beginning to realize that any cultivation are far outweighed by the negative impact of drug abuse on their social, economic and political institutions. There has never been a better opportunity for nations of the world to join together and launch strong, cooperative, bilateral and regional offensives to reduce the supply of and demand for drugs.

A perfect starting point for such efforts would be through increased contributions to the United Nations Fund for Drug Abuse Control (UNFDAC). Since 1971, UNFDAC has been instrumental in calling attention to the needs of the world community in fighting the menace of drug trafficking and drug abuse. In spite of this vital role, only $70 million were contributed to the Fund through 1983. In 1984, only 39 of the 159 member nations of the United Nations contributed less than $12 million to the Fund. As of August 31st, 1985, the latest available figures for that year show only 41 nations or 25 percent of United Nations membership contributed $15.6 million to the United Nations Drug Rund. Of this total, eight member nations of the European Parliament contributed a total of $9.1 million. When viewed in terms of the huge profits reaped by the drug traffickers, there can be no doubt that there is a need for a commitment by all nations for increased contributions.

Bilateral commitments are another important element in the war against drugs. The Government of Great Britain, under seige with an influx of heroin from Pakistan, has worked closely with that nation over the past year through technical support and financial contributions to reduce opium cultivation and heroin production and trafficking from that part of the world. A recent contribution of 2.4 million pounds to help eradicate opium cultivation will be most helpful in achieving that goal.

Multilateral agreements, such as the Resolution on Narcotics recently passed by this Parliament is a further example of what action can and must be taken. The Resolution expresses strong support for the Thai Master Plan, and proposes to support one of the eight projects included in the Plan through financial support of $7 million. The Resolution further recognizes the serious threat to the European Community of increased imports of heroin and cocaine and proposes coordination of police and customs activities to avoid such illegal importation. I applaud your efforts in this area and urge prompt implementation.

In addition, I am pleased with the recent action of the United Nations General Assembly in adopting, by consensus, two important resolutions dealing with narcotics. The first calls for a world conference on drug trafficking to be held in 1987, at which all countries will be represented at the Ministerial level. The second endorses the process underway for the development of a new convention on drug trafficking which will include such important items as asset seizure and extraditions. These actions clearly illustrate a growing world concern and the need for concerted international action against drug trafficking.

This year the Congress of the United States passed legislation placing strong restrictions on economic and military assistance to Bolivia and Peru, the two nations which cultivate almost all of the world's coca, unless they develop and implement plans to eradicate illicit coca cultivation. As a result, both of these governments, under new and forceful leadership, have begun to take such actions. It is important to note that Peru has conducted joint enforcement activities with Colombia, resulting in the seizure and destruction of cocaine production laboratories, and airstrips. Ecuador has also taken strong enforcement actions resulting in numerous arrests and seizures. In Colombia intensified aerial spraying of marijuana could result in an 80 percent reduction in cultivation this year.

In conclusion, I would only add that it is essential that we work together to develop a strong and effective regional strategy for narcotics control. Such a strategy must include technical and financial assistance for narcotics control projects, as well as crop control and substitution agreements. In connection with the development of such a regional strategy I would urge the creation of a Liaison Committee between Members of Congress and the European Parliament for the exchange of information and ideas in accomplishing this goal and the overall objective of supply and demand reduction of illicit drugs.

It is equally imperative that we work to raise the priority of narcotics control in our foreign policy initiatives, and work to increase awareness of the narcotics problems throughout the international community.

Governments in source countries must be encouraged to make every effort to stamp out the corruption and terrorist activities that have hindered any efforts that they make in controlling illicit cultivation and production. This task requires the support and encouragement of the entire international community.

No one nation acting alone can solve the problems that we face. Coordination and cooperation are the essential ingredients in an effective attack on the drug producers and traffickers who will stop at nothing to spread their deadly poison at any cost. There can be no weak links in the chain. The failure of any one nation to cooperate can mean failure of *all* of us. I urge you to join in such a cooperative effort not only for the future of our laws and institutions, but for the future of our youth and the very fabric of our society.

VIII. VISA RECIPROCITY

Lord Bethell humorously remarked that this meeting was the seventh time he had raised the issue with the U.S. delegation. He inquired whether it was necessary to continue to tie this issue to the immigration bill in the U.S. Congress.

Responding for the U.S. delegation, Representative Seiberling commented that U.S. immigration laws were outmoded on this issue. Both the U.S. and the EC would gain advantages by an end to the U.S.'s visa requirement. He reported that the Senate and the House Judiciary Committee Subcommittee on Immigration approved in autumn 1985 a bill that included a three-year pilot visa waiver program, which would permit the Secretary of State to waive the non-immigrant visa requirement for tourist and business visitors from eight countries which extend reciprocal rights to the U.S.

The eight countries are undermined, and since twenty European countries already waive visas for American citizens, the selection of the eight will not be easy. Representative Seiberling conceded that this legislation was not ideal, but, nonetheless, it is a step in the right direction. He added that perhaps the greatest danger to the immigration bill is the Gramm-Rudman amendment, which would require spending cuts on the operation of all programs in the bill, including the pilot project. If so, he stated it might then be desirable to treat the visa reciprocity separately, which already has been done in H.R. 1021.[1]

[1] The text of H.R. 1021 and Representative Seiberling's paper appear at the end of the section.

99TH CONGRESS
1ST SESSION

H. R. 1021

To amend the Immigration and Nationality Act to provide for a program for the waiver of the visa requirement in the case of nonimmigrant tourists from certain countries.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 7, 1985

Mr. BONER of Tennessee (for himself, Mr. BADHAM, and Mr. NELSON of Florida) introduced the following bill; which was referred to the Committee on the Judiciary

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A BILL

To amend the Immigration and Nationality Act to provide for a program for the waiver of the visa requirement in the case of nonimmigrant tourists from certain countries.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. VISA WAIVER PROGRAM.

(a) ESTABLISHMENT OF VISA WAIVER PROGRAM.—Section 212 of the Immigration and Nationality Act (8 U.S.C. 1182) is amended by adding at the end thereof the following new subsection:

"(l)(1) The Attorney General and the Secretary of State are authorized to establish a pilot program (hereafter in this

subsection referred to as the 'program') under which the requirement of paragraph (26)(B) of subsection (a) may be waived by the Attorney General and the Secretary of State, acting jointly and in accordance with this subsection, in the case of an alien who—

"(A) is applying for admission during the pilot program period (as defined in paragraph (5)) as a nonimmigrant visitor (described in section 101(a)(15)(B)) for a period not exceeding 90 days;

"(B) is a national of a country which—

"(i) extends (or agrees to extend) reciprocal privileges to citizens and nationals of the United States, and

"(ii) is designated as a pilot country under paragraph (3);

"(C) before such admission completes such immigration form as the Attorney General shall establish under paragraph (2)(C) and executes a waiver of review and appeal described in paragraph (2)(D);

"(D) has a round-trip, nonrefundable, nontransferable, open-dated transportation ticket which—

"(i) is issued by a carrier which has entered into an agreement described in paragraph (4), and

"(ii) guarantees transport of the alien out of the United States at the end of the alien's visit; and

"(E) has been determined not to represent a threat to the welfare, health, safety, or security of the United States;

except that no such alien may be admitted without a visa pursuant to this subsection if the alien failed to comply with the conditions of any previous admission as a nonimmigrant.

"(2)(A) The program may not be put into operation until the end of the 30-day period beginning on the date that the Attorney General submits to the Congress a certification that the screening and monitoring system described in subparagraph (B) is operational and that the form described in subparagraph (C) has been produced.

"(B) The Attorney General in cooperation with the Secretary of State shall develop and establish an automated data arrival and departure control system to screen and monitor the arrival into and departure from the United States of nonimmigrant visitors receiving a visa waiver under the program.

"(C) The Attorney General shall develop a form for use under the program. Such form shall be consistent and compatible with the control system developed under subparagraph (B). Such form shall provide for, among other items—

"(i) a summary description of the conditions for excluding nonimmigrant visitors from the United States under subsection (a) and this subsection,

"(ii) a description of the conditions of entry with a waiver under this subsection, including the limitation of such entry to ninety days and the consequences of failure to abide by such conditions, and

"(iii) questions for the alien to answer concerning any previous denial of the alien's application for a visa.

"(D) An alien may not be provided a waiver under this subsection unless the alien has waived any right (i) to review or appeal under the Act of an immigration officer's determination as to the admissibility of the alien at the port of entry into the United States or (ii) to contest, other than on the basis of an application for asylum, any action for deportation against the alien.

"(3)(A) The Attorney General and the Secretary of State acting jointly may designate up to eight countries as pilot countries for purposes of this subsection.

"(B) For the period beginning after the 30-day period described in paragraph (2)(A) and ending on the last day of the first fiscal year which begins after such 30-day period, a country may not be designated as a pilot country unless—

"(i) the average number of refusals of nonimmigrant visitor visas for nationals of that country during

the two previous full fiscal years was less than 2.0 percent of the total number of nonimmigrant visitor visas for nationals of that country which were granted or refused during those years, and

"(ii) the average number of refusals of nonimmigrant visitor visas for nationals of that country during either of such two previous full fiscal years was less than 2.5 percent of the total number of nonimmigrant visitor visas for nationals of that country which were granted or refused during that year.

"(C) For each fiscal year (within the pilot program period) after the period specified in subparagraph (B)—

"(i) in the case of a country which was a pilot country in the previous fiscal year, a country may not be designated as a pilot country unless the sum of—

"(I) the total of the number of nationals of that country who were excluded from admission or withdrew their application for admission during such previous fiscal year as a nonimmigrant visitor, and

"(II) the total number of nationals of that country who were admitted as nonimmigrant visitors during such previous fiscal year and who violated the terms of such admission,

was less than 2 percent of the total number of nationals of that country who applied for admission as nonimmigrant visitors during such previous fiscal year, or

"(ii) in the case of another country, the country may not be designated as a pilot country unless—

"(I) the average number of refusals of nonimmigrant visitor visas for nationals of that country during the two previous full fiscal years was less than 2 percent of the total number of nonimmigrant visitor visas for nationals of that country which were granted or refused during those years, and

"(II) the average number of refusals of nonimmigrant visitor visas for nationals of that country during either of such two previous full fiscal years was less than 2.5 percent of the total number of nonimmigrant visitor visas for nationals of that country which were granted or refused during that year.

"(4) The agreement referred to in paragraph (1)(D)(i) is an agreement between a carrier and the Attorney General under which the carrier agrees, in consideration of the waiver of the visa requirement with respect to a nonimmigrant visitor under this subsection—

"(A) to indemnify the United States against any costs for the transportation of the alien from the United States if the visitor is refused admission to the United States or remains in the United States unlawfully after the ninety-day period described in paragraph (1)(A)(i), and

"(B) to submit daily to immigration officers any immigration forms received with respect to nonimmigrant visitors provided a waiver under this subsection. The Attorney General may terminate such an agreement with five days' notice to the carrier for the carrier's failure to meet the terms of such agreement.

"(5) For purposes of this subsection, the term 'pilot program period' means the period beginning at the end of the 30-day period referred to in paragraph (2)(A) and ending on the last day of the third fiscal year which begins after such thirty-day period.".

(b) LIMITATION ON PERIOD OF STAY IN THE UNITED STATES.—Section 214(a) of such Act (8 U.S.C. 1184(a)) is amended by adding at the end the following new sentence: "No alien admitted to the United States without a visa pursuant to section 212(l) may be authorized to remain in the United States as a nonimmigrant visitor for a period exceeding 90 days from the date of admission.".

(c) PROHIBITION OF ADJUSTMENT TO PERMANENT RESIDENT STATUS.—Section 245(c) of such Act (8 U.S.C. 1255(c)) is amended by striking out "or" before "(3)" and by inserting before the period at the end the following: ", or (4) an alien (other than an immediate relative specified in section 201(b)) who was admitted as a nonimmigrant visitor without a visa under section 212(l).".

(d) PROHIBITION OF ADJUSTMENT of NONIMMIGRANT STATUS.—Section 248 of such Act (8 U.S.C. 1258) is amended by striking out "and" at the end of paragraph (2), by striking out the period at the end of paragraph (3) and inserting in lieu thereof ", and" and by adding at the end thereof the following new paragraph:

"(4) an alien admitted as a nonimmigrant visitor without a visa under section 212(l).".

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PAPER BY REPRESENTATIVE JOHN F. SEIBERLING

Members of the European Parliament have long advocated a change is existing U.S. law which requires all foreign nationals, except those from Canada and the Bahamas, to obtain visas in order to enter the United States as a visitor. Most Western European countries do not impose similar requirements on Americans visiting them. Since I too support waiving the U.S. visa requirement for visitors, I am happy to report to you that some progress is being made on this front.

Current U.S. immigration laws and regulations are outmoded with regard to provisions covering the entry and transit of temporary, nonimmigrant visitors. The restrictions contained in our laws are unnecessarily complex, costly time-consuming and greatly impede foreign travellers seeking to visit our country.

The benefits of relaxing our visa requirements are obvious. From a European's point of view, modifying U.S. visa restrictions would eliminate waiting in long lines, filling out endless forms and worrying over lengthy visa backlogs. It is no surprise then that the U.S. Travel and Tourism Administration, an arm of the Department of Commerce, also believes that easing these difficult visa procedures would remove some significant barriers to international travel.

From an American's point of view, removing such deterrents to international travel would bring with it the economic advantages of increased tourism. Last year, for example, visitors traveling to the United States spent an estimated $14 billion, producing approximately $2 billion in federal, state and local tax revenues. Enacting a nonimigrant visa waiver program could yield up to 400,000 additional tourists to the U.S. and domestic expenditures of $300 million on tourism-related support services. During a time of large budget and trade deficits, this would be a welcome result.

But just as important as these advantages to the U.S. economy would be the signal that a visa waiver would send to the rest of the world—that the U.S. wishes to be a gracious host to our international visitors and a leading promoter of travel facilitation. The U.S. has always encouraged travel to our country by visitors from abroad. The International Travel Act of 1961 and its successor, the National Tourism Policy Act of 1981, call for extensive public and private efforts to increase U.S. destination travel and the removal of artificial travel barriers. Now is the time to fully implement these objectives by expediting our entry procedures.

The arguments in favor of doing just that have apparently had some positive effect recently in Congress for, as I mentioned at the outset, some progress has been made. As you may know, the United States Senate passed a bill in September reforming our entire set of immigration laws (S 1200). Included in that piece of legislation is a provision implementing a limited three-year pilot visa waiver program.

In November, the House Judiciary Subcommittee on Immigration approved a similar immigration reform bill (HR 3080) which contains a pilot visa waiver program identical to the Senate's version. That Subcommittee bill must still be approved by the House Judiciary Committee before it can go before the full House of Representatives. Once it is approved by the House, the bill goes to Conference between the Senate and the House where differences between the two versions are reconciled. Since the visa waiver program provisions are identical, there is little likelihood that they will be changed in Conference.

The pilot program is not all I would like, but it is a start. It would permit the Secretary of State, in conjunction with the Attorney General, to waive the nonimmigrant visa requirement for tourist and business visitors from eight countries which extend or agree to extend reciprocal rights to the U.S. To come under this waiver provision, visitors must agree to stay no longer than ninety days and purchase a nonrefundable, nontransferable roundtrip ticket.

In order for a country to qualify for the pilot program, the average number of refusals of nonimmigrant visas for that country during the previous two fiscal years must be less than 2 percent of the total number of nonimmigrant visitor visas for nationals of the country granted or refused. In addition, a country could not reach a 2.5 percent refusal rate during either of those two years. A country would become ineligible to continue in the program if the number of nonimmigrant visitors who violated admission terms did not remain under 2 percent of the total of that country's nonimmigrant visitors.

While those eight countries are as yet undetermined, there are about thirty countries with a probable nonimmigrant visa refusal rate of not more than 2 percent,

and therefore most likely eligible as possible candidates under a visa waiver program.[3]

The Reagan Administration has announced its support for the pilot program with the caveat that any such program must insure against a visitor overstaying the 90 day period. To that end, there are a number of safeguards written into the pilot program provision which would be augmented by Immigration Service regulations. For instance, the provision mandates that the Immigration Service be able to track the entry and departure of the visitors, and it also prohibits the visitor from changing to any other nonimmigrant status, or from adjusting status to that of an immigrant.

The State Department, which has in the past been a very enthusiastic supporter of visa waiver, now simply echoes the Administration position. The Departments of Transportation and Commerce, on the other hand, are more heartily endorsing this move to facilitate entry and open up tourism. The Department of Justice, which has jurisdiction over immigration and the Immigration Service, has stated that it would interpose no objection to the provision. However, there are still some bureaucratic reservations.[5]

There is also some sensitivity to the fact that the program is limited to only eight countries. Twenty European countries waive visas for United States visitors, and so, making the determinations as to which eight countries qualify will not be the State Department's favorite task.[4]

Nevertheless, the support for the provision is broad and the likelihood for its enactment on the merits is high. However, since it is bundled in with the omnibus immigration reform bill, there is a chance that it may once again fail to be enacted, as happened in 1984 with the Simpson-Mazzoli bill, for reasons other than those associated with visa waiver.

The immigration reform bill is controversial. It contains provisions which are opposed by large constituencies in the United States. However, the Members of Congress who have worked most closely on it, have been successful in ironing out some of the biggest problems, and have said that chances for its passage in 1986 are better than ever.

However, in my opinion, such optimism must be guarded, for there is one more obstacle to the ultimate passage of the immigration bill and with it the visa waiver program. That obstacle is known as Gramm-Rudman.

As you probably know, Gramm-Rudman is the recently enacted law which requires specified reductions in the U.S. federal deficit until the budget is balanced in fiscal year 1991. It it is predicted that actual deficits will exceed the specified deficit level in any given fiscal year by more than $10 billion, the President would be required to make automatic spending cuts, uniform for each federal program, to eliminate the projected "excess" deficit.

The omnibus immigration reform bill is expected to cost $1 billion a year. Given the fiscal bind the U.S. already finds itself in, it may be difficult, if not impossible, to approve a bill with such a high price tag, especially in the shadow of Gramm-Rudman.

It is my understanding that the House Judiciary Committee plans to take this bill up at the end of February. If it is approved and moves quickly to the President's desk, we may be able to avoid the short term consequences of Gramm-Rudman. If it does not, the best hope for passage of a visa waiver program may be through separate legislation, such as that which has already been introduced in the House (HR 1021).

For my part, I can assure you that I will do whatever I can to eliminate these unnecessary and cumbersome restrictions, which have inconvenienced you, your colleagues, and your constituencies for so many years.

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[3] Andorra, Austria, Belgium, Botswana, Brazil, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malawi, Malaysia, Malta, Monaco, Morocco, Netherlands, New Zealand, Norway, San Marino, Spain, Swaziland, Sweden, Switzerland, Tunisia, United Kingdom, Venezuela

[5] The three year limit on the pilot program is the source of some concern. Although no resource savings are officially envisioned as a result of this program, given the reduction in work load that will be achieved by visa waiver, it is not unlikely that the provision will allow for staff cuts abroad. However, if the program is not extended beyond the three year period, budget restraints may not permit those lost staff spots to be refilled.

[4] Another concern that has been raised is that relaxing the visa requirement could lead to congestion at immigration booths at U.S. airports of entry. This is one reason that the program is so limited in nature. Establishing this program on a pilot basis will permit the evaluation of its effect on the Immigration Service inspections workload.

APPENDIX I

Text of European Parliament Resolution Concerning Protectionism Passed December 13, 1985

Resolution on protectionism in trade relations between the European Community and the United States of America

The European Parliament,

having regard to the motion for a resolution tabled by Mr. De Gucht and others (Doc. 2-809/84),

having regard to the motion for a resolution tabled by Mr. Fruh and others (Doc. 2-872/84),

having regard to the motion for a resolution tabled by Mr. Maffre-Baugé and others (Doc. 2-895/84),

having regard to the motion for a resolution tabled by Mr. Moorhouse and others (Doc. 2-1020/84),

having regard to the motion for a resolution tabled by Mr. Piquet and others (Doc. 2-1469/84),

having regard to the motion for a resolution tabled by Mr. Musso and others (Doc. 2-1689/84),

having regard to the motion for a resolution tabled by Mr. Papoutsis and others (Doc. B 2-13/85),

having regard to the motion for a resolution tabled by Mrs. Lizin and others (Doc. B 2-580/85),

having regard to the motion for a resolution tabled by Mr. Starita and others (Doc. B 2-663/85),

having regard to the interim report by the Committee on External Economic Relations and the opinions of the Committee on Economic and Monetary Affairs and Industrial Policy and of the Committee on Agriculture, Fisheries and Food, (Doc. A 2-149/85),

having regard to the resolutions adopted on reciprocal Community-US relations,[1] and futhermore having regard to its resolutions:

the impact of the CAP on the external relations of the European Community,[2]

the further development of GATT and of the free trade principle,[3]

having regard to the communication of the Commission to the Council 'Perspectives for the Common Agricultural Policy',[4]

A. recalling the common cultural, political and economic foundations of the European Community and the United States of America,

B. recognizing that international trade liberalization and increases in international trade flows contribute to the optimum allocation of economic resources and strengthen therefore both production and employment,

C. concerned at the spreading of restrictions to international trade, in particular of measures providing for international market sharing,

D. having regard to the increasingly protectionist policy of the USA towards imports from the EEC, and particularly steel imports, and the resulting burden placed on relations between the USA and the European Community,

E. noting that the economic costs of protectionist measures have been clearly outlined both in the GATT special report of March 1985 'Trade policies for a better future' and in the report 'Costs and benefits of protective measures', adopted by the OECD Economic Policy Committee in March 1985; that such costs are usually higher than the short term benefits which can be obtained,

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[1] OJ No. C 127, 14.5. 1984 pp. 89, 96, 100; OJ No. C 122, 20.5. 1985, p. 114.
[2] OJ No. C 242, 12.9. 1983, p. 76.
[3] OJ No. C 322, 28.10. 1983, p. 281.
[4] Com(85) 333 final.

F. having regard to the conclusions of the OECD Council meeting at ministerial level of 11 April 1985, to the resolution of the European Parliament of 18 April 1985 protesting against escalating protectionism by the USA against Community steel imports, to the Bonn Economic Summit of 4 May 1985, to the declaration of protest of 17 October 1985 by the EEC Council of Ministers conerning relations with the USA in the iron and steel sector, and to the steel agreement concluded on 10 December 1985 between the US and the EC,

1. Stresses the importance of a balanced development of EC-US trade, in order to strengthen world trade flows, defend the open multilateral trade system and reinforce economic recovery;

2. Points out that the EC-US balance of trade has for years shown a surplus in favour of the US and that only since 1984 has there been talk of a—relatively Limited—deficit, and that on the other hand the American trade deficit caused by Japanese imports shows a rising trend as a result of structural factors and in relative terms is much greater than the deficit with the EC;

3. Declares that in trade disasters between the US and the EC must be resolved first and foremost within GATT and that GATT procedures must be waived only in exceptional cases, in order to prevent an escalation of unilateral action by means of bilateral political agreements;

4. Proposes that, to examine thoroughly and deal expertly with acute trade and economic problems between the EC and USA, small parliamentary groups of experts should meet with their counterparts in the American Congress, these meetings to take place outside the annual meetings between delegations from the European Parliament and the US Congress;

5. Stresses that if the GATT rules are not respected by the US, the Council should take all the necessary retaliatory measures, as it resolved to do in its declaration of 27 March 1985;

6. Calls on the Commission to devise and implement trade policy measures such as will effectively and swiftly defend the Community's legitimate interests;

Concerning the industrial sector

7. Is deeply concerned at the growing compartmentalization of the steel market as a result of the bilateral US–EC agreements reached under pressure from the US and draws attention to the high economic costs of these agreements to both the American consumer and European steelworkers and producers;

8. Strongly opposes the US call for imports of semi-finished steel products from Europe also to be limited; considers on the contrary that efforts must be made to liberalize the existing steel agreements (including the carbon steel agreement, which expires at the end of 1985), particularly since the Community arrangements for subsidizing the restructuring of the European steel industry expire on 1 January 1986;

9. Expects the US Administeration to establish a special arrangement, to supplement the planned ??C voluntary restraint agreement, to cover US subsidiaries of European steel undertakings, to ensure that this European commitment in the USA does not fall victim to US protectionism over steel and that jobs are not lost in a structurally weak US region;

10. Is deeply concerned by the US textile bill, now before Congress, which, even if not aimed directly at the EC, would have negative consequences on trade in textile products and reinforce, at world level, the trend towards protection of national markets; points out that such action would also undermine confidence in exporting countries as concerns renegotiation of the MPA;

11. Welcomes President Reagan's decision not to limit US footwear imports, and hopes that the strong declarations of the US President against protectionism will be reflected in the US legislative process;

12. Calls on its parliamentary counterparts in the US not to jeopardize the current preparation for new multilateral trade talks (GATT round), originally proposed by the US, by adopting protectionist measures;

13. Notes that the special procedures operated by the US in connection with the protection of industrial property lead to de facto discrimination against foreign patent-holders since where there is disagreement over industrial property between a US firm and a foreign firm, and pending the outcome of the judicial procedure, the foreign products concerned can be kept off the US market;

Concerning the agriculture sector

14. Notes that EC–US trade relations in the agriculture sector are subject to recurent crises, and considers that a permanent settlement on outstanding problems

should be found by means of strengthened GATT discipline and concerns agricultural products;

15. Deplores the adoption of unilateral measures to reduce trade in agricultural products that could trigger off a dangerous spiral of reciprocal reprisals, as pointed out in its resolution of 11 July 1985 on EEC-United States agricultural trade;[6]

16. Strongly deplores the increase in United States taxes on Community pasta products, and points out that that decision coincides with the end of a period of truce during which the Community made every possible attempt to reach an agreement on citrus fruit and pasta, for instance by reducing export refunds on pasta;

17. Points out in this connection that it would be advisable to ensure that the 1974 "Casey-Soames" compromise is adhered to;

18. Strongly disapproves the unilateral action taken by the U.S. in the case of the citrus fruit dispute: it is however, evident that a stable solution will have to be found to the issues concerned, and in particular a common interpretation of GATT Article XXIV (which admits derogations from the most-favored nation principle in order to establish free-trade zones and customs unions); remarks in this context on the inability of existing GATT procedures for dispute settlement to solve the problem;

19. Recalls its resolution of 12 April 1984, calling for a simultaneous process in the US and the EC in order to obtain 'the sychronized abolition of surplus production and subsidies, as a means of combating the root causes of the trade conflict'; demands that the United States observe the principles set out in the GATT Statutes and avoids the tendency towards bilateralism; believes, too, that it is essential that problems faced by agricultural exporters be settled in a multilateral framework;

20. Considers that both the US and the EC agricultrual policies should take account to a greater extent of conditions on world markets and that the future GATT rounds should aim at some liberalization of trade in agricultural products;

21. Considers, in this context, that the 1955 GATT waiver (enabling the US to pursue domestic policies regardless of certain GATT dispositions), the US export subsidies programme, and the CAP system of variable levies and refunds should be discussed in the next multilateral trade negotiations of GATT;

22. Hopes that talks will be initiated among the exporting countries with a view to working out a concerted policy on marketing and subsidies, wherever consumers' food requirements have been adequately covered and normal operating conditions for farming guaranteed; is of the opinion that the community must examine the means of reaching a more equitable understanding with the USA to open up the American market to European agricultural products (especially dairy products) and thereby offset the growing volume of the imported American agricultural products sold duty-free in Europe;

23. Acknowledges the efforts which the Community is currently making to reduce protectionism and reform the common agricultural policy; and asserts in particular that the problems of American agriculture do not result from the Community's aggressive commercial approach on world markets;

Concerning financial aspects

24. Points out that the protectionist measures proposed by the Congress will do nothing to remove the cause of the large American balance-of-trade deficit, i.e. the deterioration of America's competitive positions as a result of the high level of the dollar;

25. Stresses that a protectionist answer in the US to the growing trade deficit and external debt would delay the gradual fall of the dollar and the necessary adjustments in production, trade flows and capital movements; believes that the large US budget deficit is at the root of the considerable influx of foreign capital into the US, pushing up interest rates and the level of the dollar; therefore strongly urges the US Congress to reduce the budget deficit;

26. Stresses that the disorganized state of the International Monetary System has contributed to the current trade difficulties especially for the underdeveloped countries and to the threat of a revival of protectionism;

27. Considers consequently that it is the Community's task in its dialogue with the United States to prompt a greater awareness on the part of the American Government of its responsibilities as a dominant economic force in the functioning of the International Monetary System, which is indissolubly linked with the development of world trade;

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[6] OJ No. C 229, 9.9.1985, p. 92.

In conclusion:

28. Reaffirms its belief that protectionism does not provide any lasting economic advantage to the State resorting to it, and is particularly misleading as the political debate rarely succeeds in making clear to the public the economic costs of protectionist measures and the way that revenue distribution between producers, workers and consumers will be affected by them;

29. Is concerned by the gradual weakening of the GATT open multilateral trade system, caused notably by the proliferation of 'orderly marketing agreements' and 'voluntary restraints', and maintains that US–EC trade relations are of fundamental importance for the defence of free trade;

30. Considers that the search for reasonable compromises on matters still in progress, and the rejection of all further protectionist measures are vital prerequisites as far as the Community is concerned for the opening of a new Round of GATT trade negotiations;

31. Considers that, in view of the new GATT round, special consideration should be given also to the following points, which are highly significant for the future of US-EC trade relations:

(a) tightening and clarification of the subsidies code (both for domestic and export subsidies)

(b) tightening of GATT discipline for agricultural sector

(c) improvement to the dispute settlements procedures in GATT;

32. Points out that the issue of US export controls on grounds of national security reasons will be dealt with in the reports by the Committee on External Economic Relations concerning restrictions on exports of strategic products and transfers of technology;

33. Instructs the President to forward this resolution to the Commission, the Council and the United States Congress and Administration.

APPENDIX II

TEXT OF EUROPEAN PARLIAMENT RESOLUTION CONCERNING THE MURDER OF LEON KLINGHOFFER PASSED OCTOBER 24, 1985

Resolution on the Murder of Mr. Klinghoffer

The European Parliament

A. having regard to its resolution of 10 October 1985 on the Israeli raid on Tunisia,[1]

B. appalled by the brutal murder of Mr. Klinghoffer which was evidently inspired by anti-semitism,

C. condemning the seizure of the "Achille Lauro" ship by a Palestinian commando,

D. recalling its repeated demands for coordinated international action against terrorism,

1. Condemns those in the PLO and other organizations for instigating and carrying out the seizure of the ship and the murder;

2. Welcomes the fact that four terrorists concerned are to be tried in Italy but regrets that Mr. Abu Abbas will not be in court to answer charges or to give evidence;

3. Expresses its indignation and dismay at the fact that the United States responded to the illegal sea piracy with illegal air piracy;

4. Emphasizes that the failure of the Italian Government to coordinate its own actions and to consult its partners in the European Community shows how inadequate the measures taken by Member States against international terrorism are;

5. Reiterates that the only way of solving the Middle East conflicts is to hold negotiations aimed at recognizing the right of both the Israeli and the Palestinian peoples to a land of their own;

6. Undertakes to use all the means at its disposal to ensure that Member States are, under no circumstances, allowed to lower themselves to the same level as terrorist groups;

7. Instructs its President to forward this resolution to the Governments of the Member States of the European Community, the Governments of the United States, Israel and Tunisia, and the Palestine Liberation Organization.

[1] See minutes of the sitting.

APPENDIX III

Speech by Helen Suzman, M.P., South African Parliament, and Memo of a Meeting With Oliver Tambo, Head of the African National Congress

TALK BY HELEN SUZMAN, OPPOSITION MP SOUTH AFRICAN PARLIAMENT; TO MEMBERS OF THE EUROPEAN DEMOCRATIC GROUP, LUXEMBOURG, 10TH JULY 1985

What can be done by the West to speed up the dismantling of apartheid? Many options are presently under consideration, with disinvestment and sanctions much to the fore: campaigns for such actions have indeed reached tidal wave proportions in the U.S.A. Let me say at once that if I thought these would work, they would have my unconditional support.

Not only do I *not* believe these campaigns would be effective—I believe they would be counter-productive.

I understand, respect and do not argue against the moral motivation for disinvestment and sanctions. But, once gone from the South African scene, any influence that may have been exercised has gone too: any good that may have resulted from quiet diplomacy, or Codes of Employment Conduct for Companies with Interest in South Africa (as adopted by the European Community) will go by the board.

The Sullivan and European Community Codes have certainly made businessmen more conscious of their social responsibilities, and have led not only to improvements in employment practices, but also to assistance in education and housing for employees and their families.

And more recently, perhaps because of the threat of disinvestment, organized business—Chambers of Commerce and Industry—have expressed their objections to the detention of trade unionists and are pressing for the repeal of influx control.

The vacuum left by the withdrawal of U.S. and European firms will be filled—if it is filled at all—by companies with less interest in the welfare of their black employees. Moreover, if it is fondly imagined that the South African Government will buckle under such pressures and abandon apartheid faster than it intends to do, this illusion should be immediately dispelled. Far more likely, far more in keeping with the temperament of the Government and of the majority of the white inhabitants, would be the development of a siege mentality.

Nor should the idea that economic hardship would lead to a successful Black revolution, followed by a Black majority socialist government to replace the white capitalist regime, be seriously entertained—it just is not on, as anyone acquainted with the ferocity and determination of the South African army and police will agree. Nor incidentally, is there any guarantee that the replacement would be any better or more democratic than the present regime, should a revolution succeed.

That disinvestment, lack of foreign capital and imposition of sanctions would be effective as a punitive measure is, of course, undeniable. But it would not be selective of its victims.

Indeed, although white South Africans would be affected, the major sufferers would be black—South African Blacks and also Blacks from neighbouring states in Southern Africa which are heavily dependent on South Africa for financial aid, grants, markets and jobs, some of which countries, like the B.S.L. countries, are also part of a customs union with South Africa, and are linked to the Rand monetary system. "Blacks don't care if there is mass unemployment" people say. And I say (who am on the receiving end of many requests from recent job losers for assistance in obtaining jobs) that Blacks who don't care are those whose jobs are not endangered or who have never had a job to lose.

However, my main opposition to disinvestment or sanctions or any steps that inhibit economic expansion of South Africa, is that such action in fact bluntens the only weapon that Blacks have, or are in the process of acquiring—the economic muscle that accompanies upward mobility on the economic ladder by virtue of greater skills and increased consumer power.

Slowly—too slowly, but nevertheless surely—Blacks are obtaining the leverage with which to demand redress in the imbalances in power and wealth and privilege in South Africa.

It is totally counter-productive to put obstacles in the way of the economic forces which so far have led to those changes which are more than cosmetic—Trade Unionism, skilled job opportunities, urbanisation.

And it is counter-productive to drive whites, a growing number of whom are increasingly disillusioned with apartheid and who have begun to accept powersharing, back into the laager.

I have to admit I really resent the way in which people living many thousands of miles away from South Africa totally ignore the hundreds of thousands of white South Africans who abhor race discrimination, and who have been fighting apartheid for many years.

My party, with its policy of no statutory discrimination and full adult suffrage with no domination, obtained 20% of the votes of the white electorate at the last election.

We will do better next time, but not if the country is under grave economic stress—liberalising forces are not strengthened in such circumstances.

So what in fact can or should the West do to help bring apartheid to an end without causing chaos in South Africa? Firstly, I must say there are limits to what can be done from outside if peaceful reform is the objective.

(a) Most helpful would be for Western interests to stay in South Africa and use their concerted influence with the Government in particular and with white South Africans in general.

Contact, not isolation, is needed. In one area only—sport—has isolation been successful in helping to break down segregation. It worked because of South Africa's longing to get back into international sport, but also because desegregation in sport did not affect the power structure. I might add that the fact that there have been no rewards forthcoming in sport is not conducive to South Africans making changes in other respects.

(b) I think European firms should accelerate their efforts to uplift Black participation in the South African economy. The latest report on the implementation of the Code by British firms is quite healthy. I don't know what the position is regarding other countries in the E.E.C., but all firms not adhering to the Code should have penalties imposed on them.

The U.S. is considering making the Sullivan Code compulsory for American firms in South Africa. I appreciate the problems in monitoring, but certainly there have been positive results from all the Codes, and this would be considered.

(c) You should all raise your voices long and loud against apartheid in general, in particular against any outrageous actions by the South African Government. Never mind about double standards—South Africa claims to have Western values and as such must be judged.

I have no doubt whatever that protest by Western envoys helped to urban people like Beyers Naude, and was instrumental in freezing forced removals such as at Crossroads.

The South African Government is more sensitive than you think. It does not enjoy being a parish. It would like to be welcomed back into the Western community of nations.

But not at any cost.

Rather should you aim-at-attainable objectives than adopt measures that could reduce the country to economic chaos, with totally unpredictable consequences.

MEETING WITH MR. OLIVER TAMBO HOUSE OF COMMONS, OCTOBER 28TH, 1985

Six Conservative parliamentarians were invited by Sir Anthony Kershaw MP to meet Mr. Oliver Tambo, president of the African National Congress. He came to the House of Commons with his aide Mr. Godfey Zondi as well as a senior ANC information officer, Mr. Thabo Mbeki, and Ms. Frene Ginwalla from the ANC London office. The meeting began with Sir Anthony asking Mr. Tambo to outline the scope of his armed struggle against the South African government and the apartheid system.

Mr. Tambo then outlined the problems faced by blacks in South Africa since 1910 and the role of the ANC in the fight for black rights. He recalled that for most of this period the ANC's activities had been non-violent. It was only because they had come to accept the futility of non-violent activity against the essential violence of apartheid, he said, that the armed struggle had been launched.

The lot of the blacks had deteriorated particularly during the last years of this non-violent period. In 1947 Prime Minister Jan Smuts had ordered an enquiry into the operation of the pass laws. Substantial reforms were being contemplated. All this changed as soon as the Nationalist Party came to power in 1948.

Blacks had had to watch helplessly as apartheid tightened its grip on them during the 1950s, a period when other African countries were aspiring to or achieving independence. They were deprived of their four representatives in the South African parliament and even of their citizenship. The behavior of the police had become barbaric. He had himself been beaten up several times by the police. The Sharpeville massacre had been the last straw. It had triggered a decision by the ANC leaders, including Nelson Mandela, to begin a campaign of sabotage against government installations, though at this stage the policy was to avoid human casualties.

Since then, Mr. Tambo continued, the ANC had carried out many hundreds of sabotage actions. And although the policy of the armed struggle had been sharpened so as to envisage loss of life and attacks on certain human targets, the number of casualties had in fact been very small. He mentioned, as evidence of ANC restraint, the fact that Nelson Mandela had "complained" at our meeting in Pollsmoor prison earlier this year, about the 1982 Pretoria bomb incident in which 17 people were killed.

However, none of this had changed the government's policy. The 1985 constitution excluded blacks from participation in political life. Mr. Mandela and other ANC leaders remained in prison, some of them after periods of more than 20 years. He therefore had to conclude that it was too late to think in terms of a policy of reforming the apartheid system step by small step. The whole structure of apartheid would have to be demolished and the people must fight to achieve this. He realised that many would die, perhaps many thousand, but there was no alternative.

He was deeply concerned at the loss of life, he said, but the responsibility for this belonged to the government, who had shown that they were not serious in their commitment to abolish the apartheid system. If Mr. Botha wanted to be taken seriously in this regard, he would have to send the ANC a serious signal, for instance by releasing Nelson Mandela and other political prisoners. Cosmetic reforms were not enough.

External pressure was an important corollary to the armed struggle, he went on. And this was where sanctions came in. Sanctions would increase the pressure on the government and hasten the system's collaspe. Sanctions could shorter. the armed struggle and so save lives.

Otherwise, he said, the armed struggle "is going to be very brutal" Thousands of people would die on both sides. He was however sure, he told a questioner, that the ANC would win in the end. The South African army and police might seem very strong at the moment, but this was historically always the case with an armed struggle for liberation from oppression.

Asked about Nelson Mandela's idea that the ANC would declare a truce if allowed to negotiate with the government, Mr. Tambo replied that Mr. Mandela had used the work "truce" advisedly. It would have to mean a truce on both sides, not merely a cessation in the armed struggle by the ANC. The government would have to reciprocate by legalising the ANC, ending the state of emergency and creating suitable conditions for talks.

Mr. Mbeke added that a truce was not essential in such an event, or even normal. The armed struggle had continued in Rhodesia and Vietnam while talks were in progress. If there were to be a truce, both sides would have to end their violence and it was hard to see how the government could do this so long as the apartheid system remained in force.

In the case, the ANC delegates agreed, the occasion was unlikely to arise, since Mr. Botha had shown no desire for talks. When some students from Stellenbosch University had wanted to go to Lusaka to meet the ANC representatives, their passports had been taken away. The same threat had been issued to certain churchmen who had also wanted talks with the ANC. Only the group of businessmen had succeeded in meeting the ANC without being punished.

Mr. Mbeki also dismissed the idea of a federal solution to the problem. "Whom or what do you federate?" he asked. There was no reason to depart from the normal practice of a central government with regional or municipal administrations. Mr. Tambo added that the ANC was not looking for black majority rule, simply for majority rule. Colour should have no meaning at all. The whites had the right to live in South Africa and to take part in the government just like anybody else. A questioner then asked, did what the ANC stood for nevertheless not require South Africa, after apartheid's abolition, to be ruled by the black majority? The ANC delegates seemed to agree with this proposition.

Mr. Tambo disagreed with a questioner who suggested that sanctions would curtail the economic and political power recently won by blacks. He replied that repression had increased during the 1960s and 1970s, a time of spectacular economic growth in the country. Greater prosperity in South Africa, he felt, was likely to benefit the army and the police rather than the blacks. There was therefore a need for parallel pressure, the West imposing sanctions as well as the ANC fighting. However, he claimed, ANC violence was "very little" compared to the violence used by the government.

The meeting, which lasted 75 minutes, concluded with Sir Anthony Kershaw asking Mr. Tambo whether the ANC was a marxist organization. Mr. Tambo replied, "No."

APPENDIX IV

SUMMARIES OF BILATERAL MEETINGS HELD IN DUBLIN, IRELAND, AND WEST AND EAST BERLIN

MONDAY, JANUARY 6, 1986; MEETING SUMMARY—U.S. COUNTRY TEAM BRIEFING ON IRELAND

The U.S. delegation was briefed by the following U.S. Embassy officials: Thomas Geweck, Charge d'Affairs; Steve Worrel, Political Affairs Officer; Al Rimas, Economic/Commercial Officer.

The briefing was an overview of the economic, political and key foreign policy issues facing the Republic of Ireland. The Charge pointed out that Ireland was a small country with a population of 3.5 million people. U.S.-Irish relations are excellent and very intense. Last year alone some 200,000 Americans visited Ireland. In addition there were over 45,000 visas issued for travel from Ireland to the U.S. This is one of the major functions for the U.S. Embassy.

Irish Government—Ireland has a parliamentary system of government. The President is elected for a 7-year term. The Prime Minister is chosen by the majority of the Parliament and since 1982 the position has been held by Garret FitzGerald who is from the Fine Gael Party. The opposition party of Fianna Fail is led by Charles Haughey. The third political party, Labour, is currently joined in a coalition with the Fine Gael Party. Finally, Ireland has a bicameral national parliament, consisting of the Dail and the Senate.

Irish Economy—Ireland is one of the less wealthy countries in the EC and has a per capita income of about $5,000. Ireland is an "open" economy with ¾ of its GNP cf 6 billion pounds coming from exports and imports. Therefore, its economy is greatly exposed to the ebbs and flows of international trade. Even so, Ireland is very pro free-trade. U.S. investment in Ireland amounts to more than $4 billion. Over 300 U.S. firms have manufacturing operations in Ireland.

Ireland enjoys a low inflation rate of less than 5 percent which is a significant reduction from an inflation rate of over 15 per cent in the 1970s. Interest rates are down. This also provides a good climate for business expansion. The growth rate for 1986 is projected to 2 per cent. All of these factors will improve Ireland's balance of payments which currently show a surplus.

The less favorable aspects of Ireland's economy are high unemployment and a huge deficit. Unemployment has increased from 16 per cent in 1984 to 17.2 per cent currently. There are over 240,000 unemployed people in Ireland. Over one-half of the population is under 25 years old and ⅓ is 15 years old or less. Job creation, especially in the private sector, is Ireland's major challenge.

Ireland has a large budget deficit with high social spending and continued shortfalls in revenue. The current government has embarked on an ambitious 3 year economic program to reduce its foreign borrowing and reduce the public foreign debt, which hovers at $9 billion. Ireland's per capita foreign debt is one of the highest in the world.

Political Issues—The Communist Party is extremely small and has no representation in the Parliament; however, the Marxist Worker's Party does have 2 members in the Parliament.

Ireland is an active member of the European Economic Community and the United Nations. Ireland is proud of its neutral position in these organizations and frequently uses its position to further dialogue on contentious world issues. Ireland has troops in Lebanon as part of the peacekeeping force there. A neutral nation, Ireland is not a member of NATO.

Foreign Policy—Ireland's most significant foreign policy issue is Northern Ireland. In that regard, the recently signed Anglo-Irish Agreement of November 15, 1985 has been viewed as a positive first step toward resolving the problems in Northern Ireland and reducing the violence and instability.

The agreement establishes an intergovernment advisory conference at the ministerial level which ensures that Ireland has a voice in the day-to-day affairs in

Northern Ireland. The agreement was enthusiastically supported by the Irish population, although Mr. Haughey, leader of the Opposition Party, Fianna Fail, initially opposed the agreement on the grounds that it didn't go far enough toward achieving the goal of a unification of the Republic and Northern Ireland. Although Mr. Haughey continues to oppose the agreement, he has announced his intention not to undercut or obstruct the implementation of the agreement.

The intergovernmental Conference has met twice since the agreement was signed. The first meeting dealt with security issues and the second dealt with the administration of justice. This last meeting was convened in light of the then-current hunger strikes of 3 Maze prisoners in protest to the "Super grass" trials. These are trials in which one judge presides and who considers the sometimes uncorroborated evidence of small numbers of informers against large numbers of defendants. This has been a highly contentious issue in the South which hopes to have the judicial panel expanded from one to three.

Finally, it was noted that the United States supports the Anglo-Irish Agreement and has announced its intention to provide economic assistance for reconciliation and reconstruction to the cross-borders-areas of Ireland and to Northern Ireland.

WEDNESDAY, JANUARY 8, 1986; MEETING SUMMARY—OPPOSITION LEADER, CHARLES HAUGHEY, FIANNA FAIL PARTY

Mr. Haughey began the meeting by welcoming the delegation and reminding the delegation of the close ties between Ireland and America. He noted that this visit was another demonstration of close and longstanding historical ties.

Representative Lantos noted that the delegation was delighted to be in Ireland especially at the time of the recently concluded Anglo-Irish agreement on Northern Ireland. He noted that the Congress would soon be considering legislation to implement the agreement and the establishment of a reconstruction and reconciliation fund. In view of Mr. Haughey's public opposition to the agreement, Representative Lantos inquired as to what the U.S. can expect if his party were to assume office in the November 1987 elections.

Anglo-Irish Agreement—Mr. Haughey explained that his party is opposed to the agreement on constitutional grounds, i.e., that it legitimizes British rule in the North. He referred to a remark in the press by the British Secretary of State for Northern Ireland, Tom King, who said that the agreement would result in a near permanent partition of the Island. This is contrary to Ireland's constitution which speaks to the unification of the Island.

However, his opposition aside, he said that he would not obstruct the agreement if it in way helps the Catholic minority in the North. It is for this reason that he did not initiate legal action in the courts. He doubted, through, that the agreement will help the Catholics in the North or bring about peace and stability in the 6 counties. He said that in fact, since the signing of the agreement there has been renewed violence in Northern Ireland.

U.S. Economic Assistance—With respect to U.S. economic aid, he would not oppose it but asked that the aid be targeted to the hardest-hit areas. For example, Strabane, which is a cross-border community suffering from over 50 per cent unemployment, would be an example of where U.S. aid should be targeted.

He cautioned that the U.S. aid will not solve the problems of Northern Ireland. He believes that the mere existence of the north is the root cause of the problem. The Anglo-Irish agreement is just tinkering with the problem. He strongly urged that there be U.S. guidelines for the use of the money to insure that it not prop up existing structures which merely buttress discrimination.

On this last point, Representatives Lantos and Gilman reassured Mr. Haughey that would not occur and that U.S. assistance would be geared toward the elimination of discrimination.

Mr. Haughey also cautioned the delegation that the U.S. funds should not be used to supplant the rightful responsibility of the British Exchequer. The U.S. assistance should be used as an additional funding source to the existing British and Irish commitments.

Representative Gilman asked what kind of U.S. program Mr. Haughey would like to see and whether he was privy to the Irish government's plans for the fund. Mr. Haughey said that he thought the program should be concentrated in the cross-border areas, which were hardest hit, but that he was not privy to the government's plans. He explained that the Irish system is different from the U.S., and that the opposition does not have significant input into foreign policy.

Employment in Northern Ireland—Representative Gilman asked whether employment discrimination against the Catholics in the North had improved. Mr. Haughey

explained that, while the British announced there has been improvement in specific circumstances, there has not been across the board improvement. There must be a massive readjustment of economic development policies to achieve a real balance, he said.

Renegotiation of the Anglo-Irish Agreement—Representative Gilman said that he felt Mr. Haughey agreed that in the practical area that was true, but with respect to the constitutional areas he was opposed. Mr. Haughey explained that peace and stability and social justice will only be achieved through a united Ireland and with total British withdrawal. Mr. Haughey said that, should he become Prime Minister in the next election, he would seek to renegotiate the agreement with the British on constitutional grounds.

Hunger Strikes—Representative Torres asked about the situation with respect to the three Maze prisoners who were on a hunger strike. Mr. Haughey announced that the strikes were over. The prisoners, he said, had miscalculated in going on a hunger strike and were too emotional. Mr. Haughey explained that they should have exhausted the legal appeal process before they took such a drastic step. He said he did not believe that they would go back on a hunger strike, since once a man comes off such a strike, he will not go back on. The "Super grass" trials are now condemned in Ireland; his party originally condemned them, and now the current government has taken that position.

Majority Consent—Representative Seiberling asked, whether the principle of a majority consent in the Anglo-Irish agreement was the key issue, and whether this agreement did not represent major progress toward the peaceful resolution of the conflict. Mr. Haughey replied, "but which majority"? Mr. Haughey said that a new constitutional structure should be designed which would attack the root of the problem and accept and deal with the fact that Northern Ireland was a failed political entity.

Role of the EC—Representative Bereuter noted that there was a need for positive measures to address discrimination in depressed areas and drew the analogy to Berlin, which has pursued tax changes in the EC. Representative Bereuter was interested in knowing whether the EC could develop investment zones—one in the North, one in the South—which would support the implementation of the agreement. Mr. Haughey understood the point that Representative Bereuter was making, but explained that the Northern Ireland situation is complicated enough, and that the U.S. Congressional delegation would be well served to focus their energies on the U.S. commitment to the international fund. Mr. Haughey announced that the EEC in 1980 had begun a multi-year project in the cross-border areas which was just completed.

Sanctions on Libya—Representative Clinger asked Mr. Haughey about his position on President Reagan's recent announcement with respect to economic sanctions against Libya. Mr. Haughey explained that he felt that matters of foreign relations should be left up to the government in power and that it was inappropriate for him to take a public stand. However, he did indicate that he did not believe that sanctions were particularly helpful.

WEDNESDAY, JANUARY 8, 1986; MEETING SUMMARY—PRIME MINISTER GARRET FITZGERALD

Prime Minister FitzGerald warmly welcomed the delegation and invited them to raise questions.

Terrorism and Sanctions on Libya—Representative Lantos began the meeting by asking the Prime Minister his position on President Reagan's proposed economic sanctions against Libya. The Prime Minister responded that he had just received the letter from the President on this subject but had not had an opportunity to review it carefully. However, while he acknowledged that he did not have all of the specifics, he reminded the delegation that Ireland has suffered from arms shipments to the IRA supplied by Libya. Furthermore, Libya helps give the IRA passports to carry out their campaign of terror. In the last 16 years Ireland has suffered an upsurge of IRA terrorism. Ireland has refused to be blackmailed by these terrorists, whether through kidnapping or hunger strikes and has refused to negotiate with them.

Representative Lantos explained that the problem of terrorism is of utmost concern to Americans, who have been so frequently targeted. He also told the Prime Minister that President Reagan has the wholehearted support of the United States Congress and the American people. He went on to say that the United States does not expect all governments to take immediate action, but that it is the fervent hope of the U.S. that they will go as far as possible and express their solidarity with

President Reagan's decision both in word and deed. He also asked the Prime Minister not to undercut the U.S. sanctions against Libya and allow Irish firms to fill the void where American business has withdrawn.

Prime Minister FitzGerald said he would take Representative Lantos' remarks into account and assured the delegation that Ireland would not step in to supplant U.S. business interests in Libya. He did note, however, that there should be a more extensive degree of consultatin with Europe on such measures before sanctions are imposed. He explained in some detail Ireland's sense of international law and mentioned that Ireland's Constitution forbids the violation of international law.

Representative Lantos responded that terrorism is not isolated, but is coordinated and enjoys the full support of state sponsorship and an international terror network. Therefore, he said, one must go to the source to stop it.

Prime Minister FitzGerald acknowledged that there are states that misuse their diplomatic privilege and that this is a new dimension in international relations. This point, he said, would be discussed in greater detail in the upcoming meetings of the EC members.

Anglo-Irish Agreement—Representative Gilman asked what the Prime Minister thought about the agreement and what role the U.S. Congress should play.

Prime Minister FitzGerald responded by saying that the agreement was a significant step toward resolving in a political manner the problems in Northern Ireland. Specifically, Article I of the agreement makes clear that only through the consent of a majority in Northern Ireland will there be a change with respect to their sovereignty. No solution will be imposed, but rather, if a majority in the North wishes to see the status on Northern Ireland change, then the two governments will support the majority and to convene a constitutional convention which will result in the unification of Ireland. In addition, this is the first time that an agreement of this nature has been legally binding and registered with the United Nations. Furthermore, the agreement recognizes that there are two identities and traditions in Northern Ireland. Historically the minority has been treated as second-class citizens and this agreement seeks to end 65 years of their alienation.

The Prime Minister continued that it was important to the Irish that the United States Congress and the President of the United States have been so helpful in their implementing it. Already, the Prime Minister has received commitment from Canada, Australia and member states of the EC to contribute to the international fund. For the first time world opinion has come out loud and clear in support for the anglo-Irish agreement.

With respect to the specific nature and types of projects for the international fund, the Irish government is currently in discussion with the Administration. Certainly, the Irish government would like to see the money used for infrastructure projects and also for the establishment of a venture capital fund.

Representive Seiberling observed that Mr. Haughey sees the cup half empty and the Prime Minister sees it half full. He went on to say that the agreement lays the groundwork for progress on resolving the problem in Northern Ireland. In addition, Representative Seiberling noted that the United States policy is to reserve the right to take action without hurting innocent civilians, and that policy is clearly in accordance with international law. The President's measured response is entirely in keeping with international law and the President has a strong case in his favor. Therefore, Representative Seiberling hoped, the EC would take the same course and take appropriate steps, so that Libya would pay an increasingly high price for its actions.

Representative Vander Jagt asked about the reaction of the Irish people to the Anglo-Irish agreement. Prime Minister FitzGerald responded that the support in Ireland for the agreement was stronger than he had ever expected and that recent polls indicated a ratio of 4½ to 1 support of the agreement. This is remarkable and strengthens Ireland's resolve to move forward. The Prime Minister indicated that while there were clear difficulties ahead he was dedicated to seeing the Agreement through. He also noted that in order for the process to succeed both sides must only table reasonable suggestions so that neither side can rule the suggestion out of hand. Clearly, the agreement is founded on an enormous amount of good faith on both sides.

WEDNESDAY, JANUARY 8, 1986; MEETING SUMMARY—EAMAN O TUATHAIL, ASSISTANT SECRETARY, ANGLO-IRISH AFFAIRS, DEPARTMENT OF FOREIGN AFFAIRS

Because of the illness of Foreign Secretary Sean Donlan (former Ambassador to the United States) the delegation met with Mr. Eaman O Tuathail, Mr. Donlan's deputy for Anglo-Irish Affairs.

Challenges Facing the Anglo-Irish Agreement—Mr. O Tauthail opened the meeting by reviewing efforts to gain the confidence of the minority in the North. He discussed efforts begun in the 1960s to improve housing, which he said were largely successful although they did not go far enough. He said that in the 1970s there was an experiment with an "informal solution" which involved a sharing of executive power, which was to include some influence from the South on decisions in the North. This plan, however, fell apart because of Unionist opposition, and the North-South dimension never surfaced.

Since 1973 there had been a slipping away of real efforts for conciliation between the two communities. The hunger strike era of the early 1980s intensifed this slipping away and decreased support in the nationalist community for "constitutional nationalism' represented by the increased vote for the Sinn Fein in the 1983 elections.

The success of the present agreement heavily depends on the good will of the two governments. Additional meetings between them are expected within the next week or so. The main issues to resolve are making acceptable political and social progress and making progress on the security front.

Sanctions of Libya—Mr. O Tauthail ended his opening comments by relaying a fuller response from the Prime Minister to earlier representations by the delegation and the Administration on sanctions against Libya. Prime Minister FitzGerald said that just as when an embargo was declared on Libya by Britain some years ago and Ireland refused suggestions that it replace Britons who were pulled out, Ireland would take a similar position with respect to supplying technology and other factors withdrawn by U.S. companies. Prime Minister FitzGerald said he would raise this point with the EC next week and would quite earnestly bear in mind our other requests.

Economic Assistance for the Anglo-Irish Program—In the question and answer period, Representative Lantos asked for detailed information on the overall size of the project and the contributions expected from other countries. Mr. O Tauthail was unable to provide detailed information. Representative Lantos said that it would be helpful to present a detailed framework, including plans for raising funds from the private sector, to help the economic aid program pass, especially in the light of Gramm-Rudman budget constraints. Mr. O Tauthail said that while he could not be more concrete now, he hoped he could be soon, and that he had been getting good reactions from other countries. However, many other countries were looking to the U.S. commitment before acting. Moreover, other countries have their own (often lengthy) budget procedures.

Nature of Projects—Representative Lantos asked what types of projects were being planned. The reply was that the initial thoughts centered on infrastructure and environmental projects. Mr. O Tauthail said he thought it was important to make up for past neglect in nationalist communities and show that the agreement had concrete, positive results. One project might be the rehabilitation of the Divas housing project in Belfast, notorious for IRA activities.

Representative Lantos suggested an organization like the UJA's "Project Renewal", in which communities in the U.S. take responsibility for a series of specific construction projects in an Israeli city. Mr. O Tuathail said that an independent fund was envisioned in which eminent persons appointed by the two governments would have control. He said it was possible that donor countries could have representation on the board.

The issue of accounting procedures was also being worked out and the governments were open to U.S. sugestions. Mr. O Tuathail mentioned that a venture capital program was being considered in which, in conjunction with private investment bankers, interest rates might be brought down for risky industrial program in depressed areas.

Irish-American Support—It was suggested by Representative Lantos that Irish American leaders be brought to Ireland and briefed on the project to help gain support. The U.S. delegation also advised that there needs to be grass roots support for the program in the United States and that while there may be such support, it was not being made evident through mail to Congress.

FRIDAY, JANUARY 10, 1986: MEETING SUMMARY—HON. FRANCIS J. MEEHAN, U.S. AMBASSADOR TO THE GERMAN DEMOCRATIC REPUBLIC

Ambassador Francis Meehan briefed the American delegation on the current situation in East Germany. While he noted that East Germany was of only marginal importance to U.S. national security, particularly if compared to the Federal Repub-

lic, Ambassador Meehan stated that there were several issues which were currently of concern to the United States.

Claims Issues—Ambassador Meehan stated that the issue of repayment of claims for U.S. firms nationalized by the GDR was still unanswered. While negotiations had been going on since 1981, no resolution of this problem had been reached yet. He also noted that current private efforts to negotiate a claims settlement for Jews who suffered at the hands of the Hitler government had stalled.

Trade—Ambassador Meehan also noted that the East Germans had a number of interests of their own, primarily the development of trade between the GDR and the United States. The East Germans are very interested in the high technology area and they would like to become the center of high-tech research and development in the Eastern bloc.

Delegation Meetings with East German officials—Representative Lantos asked of Ambassador Meehan what might be useful to ask the East Germans during our meetings. Ambassador Meehan responded that GDR officials do not fully understand the role of Congress in the U.S. Government decisionmaking process. Therefore, he felt that the delegation should emphasize those issues in which it has a major role.

Honecker Visit tc West Germany—In response to a question regarding a possible visit by Chairman Honecker to the FRG, Ambassador Meehan seemed certain that such a trip would not occur in the near future. He believes that Mr. Honecker has failed to get approval from the Soviet Union for the trip.

Emigration—He further added that emigration is also an issue the delegation could raise with GDR officials, although it has improved significantly in the past two years (40,000 people left the GDR in 1984, which was a record year, and 20,000 people in 1985 which was still significantly higher than the pre-1984 figures). The West German government appeared at the moment to be happy with this level of emigration.

East-West Relations—Ambassador Meehan was fairly certain that the Geneva Summit had not changed anything in East German foreign policy. The East German leadership is still evaluating General Secretary Gorbachev and there is still a good deal of uncertainty about him.

Ambassador Meehan added that because of advancing age among Eastern Europe's leaders, it was widely thought that there would be a number of changes in leadership in the next few years. The new leaders are likely to be supportive of Mr. Gorbachev since the Soviet Union will play an important role in their selection.

INF Deployment and Soviet Forces—In response to a question by Representative Thomas, Ambassador Meehan said that the East Germans were unhappy with the deployment of new nuclear weapons in the GDR in response to the deployment of Pershing IIs in the FRG. He stated that this displeasure had in fact been displayed in a very subtle way in the official GDR media. He pointed out that the Soviet troops in the GDR were isolated and therefore there is no friction with the populace of the GDR.

Economic Reform—In answer to a question by Representative Lantos on the GDR's view of Hungary's liberalized economic program, Ambassador Meehan felt that the GDR leadership did not approve of Hungary's reforms, mainly because the GDR has had some success with a command economy and therefore did not want to tamper with it.

FRIDAY, JANUARY 10, 1986: MEETING SUMMARY—GOVERNING MAYOR OF WEST BERLIN, EBERHARD DIEPGEN

Representative Lantos opened the meeting, speaking in German, and thanked Mayor Diepgen for meeting with the delegation. Representative Lantos noted the importance of Berlin, particularly its significance in East-West relations. He also noted the importance of human rights, and in no place was this better illustrated than in Berlin.

Berlin's Role in East-West Relations—Mayor Diepgen thanked Representative Lantos and the American delegation for the visit and stressed his appreciation for the West's cooperation and support for Berlin. He referred to Berlin's economic and strategic importance, emphasizing its role as a focus for East-West relations. He described Berlin as a "bracket" which connected the U.S. and Europe and served as a catalyst for dialogue in East-West relations.

Objectives of 1985 Visit to Washington—Mayor Diepgen pointed out that he traveled to Washington last year and while there stressed the following points: 1) the development of West Germany's and especially Berlin's relations with Eastern nations was very important to the U.S.; 2) economic development, with an emphasis on

U.S. investment, was very important to Berlin; and 3) Berlin should be the center of the East-West dialogue, serving as a meeting place for conventions between East and West.

Importance of East-West Dialogue—Mayor Diepgen emphasized that an ongoing dialogue between East and West was essential to the FRG's peace process and should be seen as an essential human right, designed to help unify the German people, even though they lived in a divided nation.

Relations with East Berlin—Mayor Diepgen pointed out that West Berlin was more than willing to compete economically and politically with East Berlin. Democracy was growing stronger and stronger in West Berlin and the economic situation is continuing to improve.

Turkish Workers and Narcotics Problems—Representative Gilman asked Mayor Diepgen about the number of Turkish workers in Berlin, and about the status of the war against drugs. Mayor Diepgen pointed out that Turkish workers were being integrated into the general German population in Europe and that this process is going fairly well. He added that the drug problem was attributable mainly to foreigners from the Middle East, and that progress was being made in this area as well.

Issues to Raise with East Germans—In response to a question by Representative Seiberling, Mayor Diepgen stressed the following issues which he felt should be brought to the GDR's attention during the delegation's meetings with East German officials: 1) Berlin should not be ignored in relations between East and West; 2) travel between East and West Berlin should be made easier for residents of Berlin; and 3) there are a number of agreements with the GDR which are still pending and which affect Berlin (i.e., exchange of certain territories in the Berlin area).

FRIDAY, JANUARY 10, 1986: MEETING SUMMARY—FIRST SECRETARY ERICH HONECKER

In his opening statement, GDR First Secretary Erich Honecker stressed that the preservation of peace was the most important objective in contemporary international relations. The Clausewitzian dictum that war is an extension of politics by another means was no longer valid in the nuclear age and disputes have to be settled by negotiations.

East-West Relations and Geneva Summit—Honecker mentioned that he had been briefed on the results of the summit by Gorbachev and U.S. Embassy officials and assessed the results to be extraordinarily valuable and significant. In particular, the joint statement declaring that nuclear war cannot be won and must never be fought was of major importance. The commitment to intensify the Geneva arms control negotiations was also significant because of the horror of nuclear war. The most important task of the negotiations was preventing the militarization of outer space.

While achieving arms control progress will not be smooth, Honecker outlined a number of steps that would speed progress, including the renunciation of SDI, implementation of the principle of 50 percent reductions in offensive nuclear weapons, a chemical weapons free zone and a battlefield nuclear weapons free zone in Central Europe (emulating Czech-GDR and Hungarian-GDR agreements to this effect).

Honecker said he was also encouraged by the pledges by Gorbachev to put U.S.-Soviet relations on a sound footing and President Reagan's argument that peaceful coexistence involved more than just the absence of war but should also involve profitable cooperation. Honecker stressed that GDR shared these sentiments and that GDR citizens were excited about the agreements reached and statements issued at Geneva.

Relations with West Germany—With respect to relations with the Federal Republic of Germany, Honecker stressed that despite the differing social systems in the two states, good relations were possible on the basis of principles reinforced by FRG President Weizsaecker and Chancellor Kohl respecting the sovereignty of both states.

U.S.-East German Relations—Concerning bilateral relations, Honecker argued that the GDR was interested in improved relations and that some intensification had occurred as symbolized in the cultural field by the Dresden exhibit in Washington in 1978. A comprehensive plan for improving U.S. relations with the German Democratic Republic was submitted to the Reagan Administration last summer, singling out areas of common ground including economic, technological, and scientific exchanges. U.S.—GDR trade, however, has declined from a high of 2 billion marks in imports from the United States and has also been hindered by tariff barriers and the lack of Most Favored Nation (MFN) trade status for GDR products. Honecker pointed out other Western nations did not impose these barriers.

Economic Achievements—Honecker also expressed pride at the economic achievements of the GDR. National income in recent years has increased by 4.8 percent as a result of increases in productivity, scientific and technological breakthroughs in microelectronics and robotics and increases in the national living standards. Honecker cited the fact that 2.4 million new dwellings were built since 1970 and that another million comfortable dwellings are planned for the future. The reconstruction of the GDR since the war has been truly remarkable and underlies the reason why the preservation of peace is so important to the GDR.

U.S. Response to Honecker's Remarks—In his opening statement Representative Lantos stressed that the GDR was an important country and that Chairman Honecker was an important world leader. He stressed the importance of the decision to hold annual summits and cited the fact that, although the time and location were different, the superpowers were implementing his resolution introduced in 1984 to hold annual summits in Torgau along the Elbe River, the site of the linkup between U.S. and Soviet forces liberating Nazi Germany. Representative Lantos expressed the hope that the annual summits would be continued for the foreseeable future. He also shared Honecker's support for the joint statement at the summit on nuclear war and stated that it is the primary objective of the Reagan Administration, the Congress and the American people to bring about significant steps in arms reductions.

Framework for East-West Relations—Representative Lantos outlined two approaches to significant arms reductions. One would be a narrowly focused approach that sought agreement through the exchange of proposals. Representative Lantos argued the more productive approach would be to make significant changes in the political atmosphere through symbolic gestures that create a climate for accommodation. In particular, greater Soviet adherence to the Helsinki Accords would be one such gesture. While those accords did establish the principle of inviolability of border, they also imposed on the signatories equally binding and important commitments regarding human rights. Despite its status as a superpower, the Soviet Union seems unable to make the symbolic gestures in human rights that would do so much to improve the political atmosphere.

By contrast, Hungary, under First Secretary Janos Kadar, has been able to make these gestures, so much so that Secretary of State Shultz in a recent visit to Hungary had no complaints concering human rights. The Hungarian approach has, in turn, led to the political conditions that make MFN and increased trade with the United States possible.

In conclusion, Representative Lantos expressed the support of the President and the Congress for the nation that peaceful coexistence between states with different social systems will continue indefinitely. However, religious freedom, freedom of movement, and the flow of ideas are deeply felt by Americans and improvement by the GDR in these areas would lend great impetus to a normalization of relations.

Representative Gilman in his opening statement reiterated First Secretary Honecker's motivation regarding peace and the improvement of U.S.-GDR economic and political relations. However, he reinforced Representative Lantos' view that the environment for better relations must be improved by addressing deeply-held American concerns about human rights. The Helsinki Accords and the UN Declaration on Human Rights make clear what human rights are and improvements in this field by the Easten bloc need not be politically controversial.

Representative Gilman commended Honecker for seeking improved relations with both the U.S. and the FRG and expressed the hope that Honecker would use his considerable influence with the Soviet Unin to raise and underscore U.S. concerns about human rights. He stressed that improved relations with the East will come by a forthright response to such issues as emigration and expropriation and Jewish claims and that the atmosphere from the summit offered the opportunity to remove these obstacles to improved relations.

A series of questions and comments were answered by First Secretary Honecker in the following manner:

Improved Relations with West Berlin—Representative Seiberling commended Honecker on the post-war GDR economic reconstruction and argued that the GDR is in a unique position vis-a-vis West Berlin, particularly in the improved political atmosphere after the summit to allow for improved transit and land exchange with West Berlin in light of the upcoming 750th anniversary of the City of Berlin.

In response, Honecker pointed out that the 1971 Four-Agreement on Berlin had resulted in a large number of visits, and movements of people in both directions. He further argued that West Berlin was an occupied city and that the Western Powers often exercise a veto power over the decisions of the Mayor of West Berlin. Despite

these obstacles, ongoing parliamentary exchanges take place with the West Berlin Senate and Honecker welcomed joint cooperation for the upcoming anniversary.

Trade and Claims Issues—Representative Frenzel cited his earlier visit to the GDR in an effort to increase trade. He described such efforts as complex and hindered by the growing protectionist mood in the United States and in other countries. He expressed the hope that despite these difficulties, trade could be expanded on the basis of mutual benefit and that such trade would lead to generally improved bilateral relations.

In response, Honecker alluded to the possibility that increased trade could also help resolve other outstanding issues in U.S.-GDR relations, including outstanding Jewish claims, with perhaps a portion of trade receipts devoted to this purpose.

Status of Berlin Wall—Representative Vander Jagt reiterated Representative Lantos' and Gilman's positon regarding the conditions for improved relations and raised the issue whether, given the rapid development of the GDR and the upcoming Berlin anniversary, the Wall could be brought down.

In response, Mr. Honecker stated that the Wall will be brought down when the conditions that led to its construction are removed. He argued that since the Wall's construction in August 1961, the frontiers with West Berlin and the FRG have been made progressively more open and that the restrictions will likely be further eroded in coming weeks.

Relations with Social Democratic Party in West Germany—Representative Coleman reiterated the upbeat assessment given by Honecker regarding the summit and then asked about the recent efforts by the GDR for increased cooperation with the FRG's Social Democratic Party and asked what the implication of this effort would be for long-term relations with the FRG.

In response, Honecker argued that, despite deep divergences in political and ideological outlook, the GDR has sought dialogue with all major political parties in the FRG and that the joint proposals for a chemical weapons and nuclear weapons free zone with the SPD were the result of such dialogue. Honecker also pointed out that he has met with Kohl three times and that a dialogue with the Christian Democratic Party occurs as well. Dialogue, as well as agreements on specific issues, does not in any way imply a pan-Germanic attitude that led to two world wars. Rather, dialogue was the natural result of the existence of two economically dynamic German states, both among the ten most industrialized nations in the world.

Bilateral Relations and MFN Status—Representative Bereuter pointed out that U.S.-Soviet relations have been generally over-emphasized and that U.S.-GDR relations can be strengthened by trade, cultural relations, and increased people-to-people contacts.

In response, Honecker cited the August 1984 GDR memorandum to the Reagan Administration, which would provide the basis for improved U.S.-GDR relations. He stressed that the GDR would not seek MFN at any cost and that if necessary, it could live without trade with the United States. Nonetheless, because the U.S. is a great nation, the GDR seeks normalization of relations and exchanges in a number of fields. He cited well-established cultural exchanges in art and music. In this context, he rejected the argument made by Representative Lantos that Hungary approached the issue of human rights differently than the GDR. He argued that in the post-war period, Hungarian-GDR relations had been very friendly in accordance with the concepts of preserving peace and non-interference in internal affairs. As a result, he could not understand why Hungary has been granted MFN and the GDR has not.

Honecker's Visit to West Germany—Representative Thomas agreed with First Secretary Honecker that peace is the paramount objective in international relations and in that context direct contact between people and leaders is particularly important. He questioned Honecker as to why his planned 1984 visit to the FRG was cancelled and what conditions, including Soviet approval, would have to be met for the visit to go forward.

In response, Honecker agreed that as a result of disagreements with the FRG that are occasionally exerabated by German revanchist claims such as Polish Silesia, it was not always appropriate to visit the FRG. He pointed out that the cancellation was not unique in that former Chancellor Schmidt also cancelled visits to the GDR. Any future visit must be under conditions which foster political developments in Europe. Honecker expressed his agreement with Chancellor Kohl that a future visit will take place at a mutually agreeable time and place.

Jewish Claims—Representative Clinger expressed approval for First Secretary Honecker's motivation for improved relations with the United States and argued that the summit offers an opportunity to remove irritants in those relations. Congress and the Administration are in agreement that the settlement of Jewish and

U.S. citizen claims against the GDR would greatly enhance prospects for improved relations.

In response, Honecker pointed out his personal experience as a prisoner in Nazi Germany and fellow Jewish prisoners with whom he was interned. As such, the GDR has repudiated racism and seeks to eradicate it. Nonetheless, he argued Jewish claims against the GDR have no legal basis and that until 1955, in accordance with the Potsdam Agreements, the GDR had paid reparations. He also pointed out that the GDR has offered a 1 million marks settlement regarding this issue but that the offer was rejected.

East German Role in the Third World—Representative Richardson cited the presence of GDR military advisers in Third World conflicts and in light of discussion of this issue at the summit, including the Soviet invasion of Afghanistan, he questioned Honecker regarding possible GDR steps to reduce their presence in the Third World.

In response, Honecker pointed out that the summit established a willingness to discuss regional issues and that while the GDR remained a steadfast ally of the Soviet Union, it was willing to support efforts to resolve Third World disputes. Honecker provided the standard Soviet defense of its invasion of Afghanistan but expressed his belief that as a result of terrible wartime suffering, the Soviet Union was and and is committed to the preservation of peace.

East German Debt—Representative Torres asked about the decline of the GDR's international debt and its implications for its international trade policy.

In response, First Secretary Honecker explained that the reduction of debt was the result of the soaring dollar and increased interest rates in the late 1970s and early 1980s, which forced the GDR to intensify its internal economic development and increase streamlining and rationalization of resources. As a result, unlike the FRG, a trade surplus has developed in the last 4 years and the GDR has therefore been able to fully meet its debt obligations. Honecker saw for the GDR no need to join the IMF and argued that it would hinder effective economic planning and development.

FRIDAY, JANUARY 10, 1986: MEETING SUMMARY—HORST SINDERMANN, DEPUTY CHAIRMAN OF THE COUNCIL OF STATE AND PRESIDENT OF THE PEOPLE'S CHAMBER

Bilateral Relations—Mr. Sindermann remarked that contacts between the House of Representatives and the Volkskammer are not close. He hoped that this situation could be changed, since the Volkskammer maintains ties and operates exchanges with a number of parliaments, as well as the International Parliamentary Union.

Issues to Discuss—Representative Lantos emphasized the value and importance of the morning meeting with First Secretary Honecker. He noted areas of agreement, such as the desire for an annual summit. Arms reduction, Representative Lantos observed, is the major priority in East-West relations and the present climate offers opportunities to explore for a solution. He stressed the unity of American public support for President Reagan's position on arms control, which aims for genuine, verifiable arms agreements.

Representative Lantos identified some bilateral issues as well as common problems which the U.S. and GDR face. The bilateral issues are: 1) claims and reparations concerning U.S. property holders and Jewish victims of Nazism; and 2) a relaxation of policies restricting human rights.

The common problems which warrant a joint effort are: 1) world famine; 2) environmental issues; and 3) international terrorism.

To the latter, Representative Lantos asked about the silence of the Soviet Union and Eastern Europe on the issue of international terrorism.

Representative Gilman seconded Representative Lantos' remarks on human rights and pointed out that it is an issue of genuine concern to the U.S. people. Representative Seiberling urged cooperation in environmental affairs.

FRIDAY, JANUARY 10, 1986: MEETING SUMMARY—GERHARD BEIL, STATE SECRETARY AND FIRST DEPUTY MINISTER FOR FOREIGN TRADE

Honecker Meeting—Mr. Beil hoped the U.S. delegation appreciated the significance of the 3 and ½ hour meeting with First Secretary Honecker. the German Democratic Republic attaches great importance to ties with the U.S. Since Honecker had explained trade policy in principle, Mr. Beil turned to specifics.

Trade Concessions Requested of the U.S.—Mr. Beil referred to a May 1985 meeting with Secretary of Commerce Malcolm Baldrige in which the two sides agreed the East Germans would submit to the U.S. a list of desired changes in U.S. trade policy. From money obtained because of concessions from the U.S., the GDR would

use part of the capital for payment of "humanitarian and moral purposes"—an apparent oblique reference to the claims issues. The list was submitted on November 18 to the Department of State where it is under review. Several U.S. Members said they intended to request it for their own study.

Most Favored Nation (MFN) Status—Mr. Beil said MFN was not currently an important topic. Instead his government was seeking to obtain its objectives at a level "below" MFN status. Representative Frenzel found this to be a realistic approach, since MFN for East Germany is currently impossible. Certainly, he noted, both nations needed to find an acceptable way to make more trade possible.

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